

Beyond Rentiership: Standardisation, Intangibles and Value Capture in Global Production

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Abstract

We examine corporate rentiership in the contemporary economy and suggest that the idea we are in a moment of step-change within capitalism may be premature. Implicit in arguments for a step-change is the claim that the present-day economy emphasises unproductive or rentier forms rather than the more productive and entrepreneurial forms of the past. In contrast, we argue that to understand our current situation we need to focus on the division of labour and most especially on processes of standardisation and the rise of intangible assets. Moving from Marx's understanding of rent as a class relation, we re-embed rent within the circuit of capital and the realm of value distribution to investigate the class dynamics (among labour, capital and the state) through which giant firms seem to generate value out of rentierism. We argue that these class dynamics include the crucial and unexplored relation between standardisation and intangibles. We suggest standardisation within the division of labour renders people, places, and things interchangeable and that, in contrast, intangible assets differentiate them. When intangible assets emerge as new forms of property, they enable owners to generate scarcity and exert direct and/or indirect control over the wider division of labour. Through examining the combined rise of standardisation and intangible assets within the technical division of labour,

we demonstrate how hierarchy within the social division of labour empowers some corporations to capture value produced elsewhere within the circuit of capital.

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1. Introduction

This special issue of *Environment and Planning A* posits that contemporary capitalism is different because of rentiership. In raising this, the call for papers asks us to return to some of ‘the classics on rent’ to better understand the current moment. That the special issue is opening up an important area of enquiry is beyond doubt. In different ways, unearned income emerges as a key contemporary fissure. Mazzucato (2018) highlights how market power relations allow some to extract from others as rewards are skewed towards ‘takers’ rather than ‘makers’; in a chapter entitled ‘Revenge of the Rentiers’, UNCTAD (2017) suggests MNCs make increasing returns because rent is growing as a source of value; Burczak (2002) talks of a ‘winner takes all’ capitalism; and Lazonick (2014) and Meyer (2018) question the emphasis on shareholder returns to the detriment of society. In parallel, among apologists for current patterns of accumulation it is commonplace to argue businesses should embrace value capture strategies such as ‘open innovation’ to garner and privatise new ideas and processes emerging from beyond their organisational boundaries, e.g. from customers, unpaid interns, prize entrants for corporate competitions, etc (Chesbrough, 2006); or that firms should ‘co-create value with customers’ whilst keeping said co-created gains (Prahalad and Ramaswamy, 2004). In different ways value capture mechanisms appear as sources of concern and/or as changing. In particular, there is an emergent view that rentiership (this special issue) and the ‘revenge of the rentier’ characterised capitalism in the 2010s, including in the realms of finance and big tech, and that without intervention, rentiership will continue untrammelled in the 2020s. UNCTAD (2017, 2018) has tested this claim, especially in its criticism of the so-called ‘superstar firms’, which capture rents created through mechanisms such as intellectual property. Similarly, the report of

the International Panel for Social Progress (2018) substantiates the argument that contemporary capitalism is different because of the rentierism of the corporate sector, the dominance of finance and the role of intellectual property.

Often underpinning these analyses are notions of a ‘good’ or ‘productive’ capitalism versus a ‘bad’ or ‘unproductive’ capitalism. This is itself tentatively suggested in the call for this special issue, which pits entrepreneurship (good/productive) against rentiership (bad/unproductive). In this article, we challenge views of productive capitalism and entrepreneurship as the antidote and alternative to rentier capitalism by adopting the perspective that in capitalism *all* productivity derives from capital’s exploitation of labour (i.e. the extraction of surplus value). In doing so, we reconnect rent and the current debate about rentierism to capital-labour relations. By drawing from Marx, who posits rent as a class relation, we return to some classics on rent and entrepreneurship – Thorstein Veblen and Joseph Schumpeter – to develop a closer understanding of the rentier’s re-emergence. We explore some of the mechanisms of control that underlie ‘rentiership’ in the economy, or as we term it more generally, value capture. As such, the aim of this paper is to re-centre the rentierism debate with a class-relational lens that *starts from* the sphere of *production* of surplus value in the circuit of capital (e.g. divisions of labour and forms of exploitation), which today is increasingly centred on global production networks (Hudson, 2008; 422).

We question the ‘newness’ of the contemporary period by suggesting that at the turn of the twentieth century the USA exhibited many similar tendencies towards rentierism (Godley 2006, Fisk 2009, Veblen 2013). We are not arguing nothing is new, clearly there are new characteristics, most obviously the global integration of capitalism on an unprecedented scale. To better grasp the current moment we start with an understanding of rent as a class relation rooted in the emergence of workers as market dependent labour-power (a proletariat) and the control of the division of labour. As a class *relation*, rents manifest capital’s *capture* and *control* of portions of surplus value always generated (i.e. extracted) in production and within the labour process. A conceptualisation of rent as a class relation – rather than a thing – is anchored to a materialist understanding of capitalism based on the circuit of capital: the relation between the spheres of production, circulation and distribution and the governance and regulation of the circuit (Hudson 2008). As we shall see, this configuration is of crucial importance to both standardisation and intangibles. As developed by Marx, the circuit of capital indicates the different metamorphoses of value traversing production and circulation, where value is generated within the former and realised and unevenly distributed through the latter.

Once inserted in the circuit of capital rent shows its true nature, i.e. a *redistribution* of value away from labour to competing capitalists. This counters many accounts where rents seem to *generate* streams of value out of innovations and/or scarcities and instead reconnects rent to the original source of value extraction, namely labour exploitation and control. We argue that far from there being a productive versus an unproductive capitalism or a good entrepreneurship versus a bad rentiership, there is merely capitalism, always exploitative even if characterised by ‘better’ or ‘worse’ distribution.

Our understanding of the relation between the spheres of production and distribution examines how circuits of capital manifest more concretely, by engaging with the works of Veblen and Schumpeter to foreground two key processes in today’s global capitalism: standardisation and the rise of intangibles. Writing a century ago Veblen highlighted the corporate tendency to capture wealth and to distribute income to property ownership in new ways. He suggested corporations decoupled production and rewards through a separation of what he called the ‘machine process’, where production and standardisation took place, and the ‘business enterprise’ which was located in the realm of intangible assets (Veblen, 1980b 2013). In making his case for the widespread and increasing implementation of standardisation within capitalism’s machine process, Veblen highlighted its centrality to modern life. His approach anticipated today’s ‘systems integrator’ or ‘superstar’ firms, which are able to *control* vast networks of global production – ‘global value chains’ – while owning only small portions of them (Nolan et al. 2002; Autor et al. 2017). We might think of Veblen’s machine process as the technical division of labour which as it is altered, e.g. standardised, redistributes power and changes the hierarchy within the social division of labour. One element of this recreation is the emergence of the business enterprise which, as we will demonstrate, embodies new power relations between capital and labour and importantly capital and capital, which then dialectically react back on the machine process (or technical division of labour).

Coming from a different perspective, Schumpeter (1943) saw intangibles as a threat to entrepreneurship and hence economic development. For him, corporations use intangible assets to gain oligopolistic control of markets, to concentrate knowledge and curtail the room for entrepreneurship and economic development. Like Marx, both Veblen and Schumpeter examine crisis and the concentration of wealth (negative for Veblen, positive for Schumpeter). Both were early theorists of intangible assets that so influence current thinking about the contemporary economy. However, they are insufficient in different ways because, like some today, they lack a materialist understanding and cling to notions of good/productive and

bad/unproductive capitalism, which we wish to overcome. Both analysts harboured a suspicion of intangible assets and associated them with rents – it is perhaps no coincidence that today’s emphasis on rent goes hand in hand with the rise of an ‘intangible economy’ (Haskel and Westlake, 2018).

Starting from dominant definitions of rent underpinning widespread notions of rentier capitalism, we locate rent together with other streams of value distribution and concur with Fine (1979) that rent can be investigated only empirically because it is a class relation that depends on historically and geographically specific forms of property. We then shift the focus to the conditions and processes underpinning the competition for value capture beyond production and analyse the *relation* between standardisation and intangibles as a way to reconnect the abstract workings of the circuit of capital to the concrete operations of global supply chains, as the quintessential organisational form of contemporary global capitalism. Drawing from Veblen’s distinction between the machine process and the business enterprise we develop a materialist understanding of their relation to argue that standardisation’s expansiveness in the contemporary economy enables the use of intangible assets to control the division of labour and capture value in the circuit beyond production. But to understand this process one has to examine the role of capitalist control, competition and accumulation in ways that Veblen and Schumpeter did not. Domination of the division of labour is necessary to capital accumulation and it gives rise to competition and concentration. In our analysis we argue intangible assets are increasingly crucial, but not new. What is new is that their rise has expanded ways of determining the division of labour on a global scale and these are more prevalent today.

In making this argument the rest of this article proceeds as follows. First, we question the juxtaposing of rentiership and entrepreneurship as unproductive versus productive capitalism. Second, we analyse the pre-conditions of scarcity. In sections three and four, we examine Veblen’s work on the machine process and the business enterprise to highlight the centrality of standardisation and the imposition of control. We then relate the growth of standardisation to the rise of intangible assets within the economy. We conclude by arguing that rather than living in a new age of the rentier, the twenty-first century has simply seen capitalism revert to type, albeit now on an immediately global stage.

2. From rentierism to control in global production

A core element of current understandings around rent is that it derives from control over a situation of scarcity. Prevailing understandings of rent within global value chain (GVC) analysis build on Kaplinsky's 'technical-economic' approach (Kaplinsky 1998; Kaplinsky and Morris 2001). For him, '[r]ent describes a situation where the parties who control a particular set of resources are able to gain from scarcity by insulating themselves from competition' (Kaplinsky 2019, p.153). Or as Davis, Morris and Kaplinsky put it more succinctly: 'Rent describes an environment of scarcity in the context of demand' (2018; 47). Among his extended typology of rents, and of particular relevance to us here, Kaplinsky (2019) identifies 'endogenous rents', alias innovative/entrepreneurial rents (see also, Davis et al 2018). These are characterised as Schumpeterian rents (see below) because rent is generated by producers in introducing better products, processes, or organisational forms that give them an edge on rivals. Successful innovation creates *difference* and allows innovators to gain rents from it. As a newly *generated* scarcity, difference vis-à-vis rivals becomes itself a form of economic development. Crucially, if it is not insulated the innovation can be copied by rival producers, and the differential and the scarcity are lost.

We argue that this view is contradictory and partial. First, it implies that successful entrepreneurship is developmental *and* rentier, i.e. it produces 'good' (developmental?) rents. If entrepreneurship is both developmental and rentier – and entrepreneurship and rent are interdependent in providing economic development – the dominant view around a 'much-needed' entrepreneurship vis-a-vis 'wasteful' rentiership (as somehow opposite poles) encounters an irrevocable tension. If it is unable to reconcile this internal contradiction, the narrative transfers the analysis to the shaky terrain of 'good' and 'bad' rents. Second, this dominant view – as typified by Kaplinsky – overlooks that the associated value capture from generated scarcity cannot be automatically separated (let alone counter-posed) from the extraction of value in production because 'scarcity' is already located in the control of the division of labour. This casts a long shadow on rent as a 'technical-economic phenomenon' (Haila 1990, 277) and highlights rent as a *relation* of control.

Schumpeter, the doyen of entrepreneurship as development, recognises the importance of the relation of control. One way control is exerted is through 'difference'. As Schumpeter (1964; 39) puts it 'difference' occurs in sectors of 'monopolistic competition' within which 'each firm offers products that differ in some way from every other firm in the sector and thus supplies a special market of its own' – branding, intellectual property rights etc. help create

these “special markets”. With regards to ‘difference’, he further distinguishes between ‘real differences’ that are developmental and ‘putative differences’, which are instead stagnant (Schumpeter 1964; 32-42). Real differences entail forms of ‘disruptive combination’ that develop the economy – new goods, new methods of production, new markets, new sources of raw material or half-manufactured goods, and new organisational forms (Schumpeter, 2008; 66). While putative differences are located in key intangibles (branding, product differentiation, intellectual property) that can create revenue streams as rent, interest, value capture, etc. Crucially for our argument, ‘putative differences’ typically emerge in markets characterised by standardised products which have to be differentiated somehow – so a Nike t-shirt is not an Adidas t-shirt. However, these putative differences lead to ‘circular flow economies’ which, if they ever achieve total equilibrium, make production ‘essentially profitless’ (Schumpeter, 2008; 31). They do not lead to economic development.¹

Furthermore, Schumpeter makes a crucial distinction between ‘capitalists’ and ‘entrepreneurs’ (as we will see, this is not a separation we accept). While capitalists take risks and provide finance, entrepreneurs do not take risk, but instead provide innovation through forms of ‘disruptive combination’ (Schumpeter, 2008; 65-66). For Schumpeter capitalists are not driven simply by profit. They will support (or hinder) entrepreneurial innovation to better control the circuit of capital so that it gives them greater access to a ‘potentially permanent income’ – for Schumpeter profit is not permanent (Schumpeter 1964, 100; 1983, 157-74 – on this today, see Sayer 2016; 62-4). Because of this, Schumpeter (1964; 82) argues, capitalists may seek to sabotage entrepreneurship and innovation where it threaten revenues under their control. In this view, the rewards of ‘entrepreneurship’ are themselves subject to power relations between different agents so that entrepreneurs do not necessarily get the reward of their innovation. This happens in large corporations where innovative staff may or may not be rewarded. Innovative profit – surplus-profits – may be captured by more powerful groups such as activist shareholders manipulating share buy-backs to artificially boost prices before selling-on (e.g. Lazonick 2014). As Schumpeter (1964; 81) puts it, ‘Struggles for a share in profits are less important for our subject than the struggles to conserve the stream of profit itself’. Here the ‘stream’ of profit is more important than who gets it. So again, entrepreneurship is tied to relations of control and the agency to extract profit or ‘permanent income’ (rent, interest, etc.). Schumpeter prioritises the continuous search for profits derived from the disequilibrium at the

¹ Importantly, for Schumpeter economies of circular flow can change but they do not develop – he likened the change to circulation of blood in an animal (Schumpeter, 2008; 64); i.e. change occurs in very small steps within the same framework, whereas development breaks the existing framework.

heart of entrepreneurship or, to put it slightly differently, innovations in the division of labour are important, but *not* how the profit is subsequently distributed amongst the actors. Schumpeter argues innovation and entrepreneurship create disequilibria and entrepreneurial profits but also, and less celebrated, potentially powerful groups snaffle these profits as rents, interest, i.e. ‘permanent income’. Thus, the relationship between ‘creative destruction’ and the distribution of value is uncertain within Schumpeter’s analysis and the distributive outcome is determined by relations of power and control (see Marx, 1976; 659).

For example, when viewed through these entrepreneurial lens, nineteenth century American economic history is witnessed as a shift from entrepreneurial/innovative knowledge and skill as attributes of individuals to a world where entrepreneurial/innovative knowledge is the right of corporations (even if developed by individuals). One instance of this concerns master dyers in the textile industry who developed and recorded their knowledge of dyeing in a book. They would take this book and hence their entrepreneurial/innovative knowledge and skill to new employers or entrepreneurially become self-employed. Here, agents’ knowledge gave them power. However, reinterpretations of intellectual property and employment law located in changing views of the corporation’s role resulted in the increasing denial of dyers’ agency. Instead, new laws gave the rights of dyers’ knowledge, and indeed the book itself, to the corporation. Beyond what they could remember (literally), dyers were now property-less if they left their employer, i.e. machine-free and knowledge-free. More generally, in the first half of the nineteenth century, the US courts had recognised unequal power relations over the control of knowledge and intervened to protect ‘genius from bad bargains’ (Fisk 2009; 67). The latter half of the century offered no such protections and created new forms of corporate property, which gave owners the capacity to control entrepreneurial/innovative knowledge and capture value they did not create.

Once the assumed relations between entrepreneurship, innovation and rentiership are questioned and related to a continuum of profits, innovative rents, unearned rents, interest, good entrepreneurship and bad entrepreneurship, permanent revenue streams, etc. (Baglioni et al. 2019), it becomes clear we need an analysis of what are the *pre-conditions* for the generation of scarcity, rents, profits and revenue streams, namely the realm of control and power relations. The bedrock for such analysis is Marx.

3. The pre-conditions of scarcity

For Marx, ground rent is a claim on a future portion of surplus value associated with the class relation of modern landed property. Marx's 'third class' of landed property is actively organised around the possibility of appropriating or 'capturing' a portion of the value produced elsewhere in the circuit of capital (Neocosmos 1986). Ground-rent is but one possible outcome in the transformation of 'surplus-profits' – those above the system-wide average (Marx, 1981; 780–7) – and is dependent 'upon historically and socially specific relations between capitalists and landlords' (Milonakis and Fine 2009, 67). Because of the 'historical conditions of existence' and thus specificity of the class of modern landed property in any particular time and place, there cannot be a 'general theory' of rent, 'nor can the conclusions reached for one instance in which a rent relation exists be automatically applied to others' (Fine 1979, 248; see also Ball 1980).

Using the contrasting early-nineteenth century examples of Ireland and England, Marx (1981; 763–4) suggested the Irish tenant was a non-capitalist whose surplus labour and some of society's 'normal wage' was captured as rent by landlords. In contrast, English tenants were capitalists who had to take a smaller than average profit and give the remainder as ground rent to the landlord – modern landed property. He goes on to say that in industrial regions, landlords can extort rents 'bearing no relation to the soil' from industrial workers (Marx, 1981; 763–4). Here, specific class dynamics – influenced by legislation, property rights, etc. – give rise to different rent relations, which become more complex and porous when examined empirically. Updating this for the contemporary context, the prevalence of 'rents' in processes of value capture vary concretely between sectors, industries and even among firms in the same 'node' of a GVC.

Individual firms combine distinctive tactics and strategies to create a unique 'recipe' for creating/extracting value in production and capturing it in circulation and distribution. Marx's 'third class' of modern landed property is sometimes difficult to segue, not least because, as Capps (2016) shows us, the same agent can perform different 'class functions'. Explanation of the specific dynamics of class relations is thus necessarily an empirical question, and it starts to open up the analytical possibility of differentiating among 'classes of capital' (Baglioni 2015; Campling forthcoming). As in Marx's time, firms today are not easily divided across the different spheres of the abstract schema of the circuit of capital: production, circulation and distribution, and its class relations, e.g. 'capitalist', 'modern landed property'. The giant firms that drive today's global supply chains often combine 'class functions'. For

example, major supermarkets simultaneously assume the buying and selling ‘functions’ of commercial capitalists; landed property rentiers through the control over access to retail space and the charging of rent to branded firms (e.g. slotting fees); and as bankers/financers through the speculative use of cash flow as money capital in institutional funds and in retail banking. Marx recognised the existence of unique recipes of value capture such as this. While making clear that rent can be delineated in the abstract (e.g. in the distinction between nineteenth-century Irish and English tenant farmers), Marx noted that actual payments by capitalists to landed property may include more than surplus-profits and incorporate ‘foreign component[s]’ such as a landlord’s capture of a portion of the average profit of a tenant farmer and/or of the ‘normal’ wages of agricultural workers. He used the category of ‘lease price’ to indicate these phenomenal possibilities of *actual* value capture (Marx, 1981; 763). This is an important insight because it further problematises thinking about rent and rentierism in the contemporary economy: is it so easy to divorce rent from other sources of surplus value in the unique recipe of a firm’s accumulation strategy?

However rents may manifest themselves, they are not independent sources of value; they represent a *redistribution* (Harvey 2006). It is therefore to the relation between production and distribution that we now turn. This requires looking at competition for surplus value among capitals and the effect of this competition on the capital-labour relationship. We focus on capital-capital relations, and, as we will demonstrate, how these relations are intimately bound up with intangible assets and standardisation as the drive to uniformity.² Before we can understand contemporary ‘rentiership’, we need to understand the interplay between intangible assets and standardisation. Indeed, a stronger focus on this relationship can shed light on current interest in rentierism and its relation to labour exploitation.

The relation between standardisation and intangible assets remains unexplored in literatures on market power and the ‘global fragmentation of the production process’ from the 1970s onwards (Feenstra 1998). Similarly, while a growing literature in mainstream economics

² It must be recognised that the state is central to the relationship between standardisation and intangible assets, e.g. intangible assets emerge as new property rights through the actions of state courts – commercial advertising products had themselves to be granted to the corporation as property (Fisk 2009). This was far from guaranteed and was an outcome of a century of struggle in the material conditions of production, ownership, and resulting court conceptions of governance (Fisk, 2009; 237-9). But other state and supra-state actions, e.g. endorsement of product regulations, creation of new standards etc. also expand intangibles (Hudson, 2008). Further, fiscal policy intimately shapes the logics of holding intangible assets over ownership of the ‘machine process’ because the global tax system works to allow, for example, intellectual property to be held offshore accruing the lowest possible tax on the profits produced at different nodes of global value chains (Quentin and Campling 2018). However, given the article’s focus we do not have space to elaborate on the power relations behind these processes here.

on the market power of ‘superstar firms’ emphasises the centrality of intangible assets to their ascendancy (Autor et al. 2017; Ayyagari et al. 2018; McKinsey Global Institute 2018), it does not make the connection with standardisation as a central tangible mechanism by which such firms capture surplus-profits. Conversely, more critical work on intangible standards *does* recognise that they are ‘a way to exercise power over a defined domain and population without ... the plain attributes of sovereign rights’ (Graz 2019: 52), but it does not relate this to the control of intangible assets more generally. Stephen Hymer’s (1970, 1979) pathbreaking work on FDI anticipated lead firms’ ability to control global production without ownership, which the GVC and global production network (GPN) literatures developed into chain or network governance (Gereffi 1994; Henderson et al. 2002). Far from a monolithic, univocal and static form of power, this scholarship has matured an understanding of governance as ‘diffuse, variable, dynamic and contested’ (Davis et al. 2018: 44). Coe and Yeung (2015) build from the buyer-driven or ‘captive’ chain governance in GVC analysis by theorizing lead firms’ *strategies* to reproduce their leadership. While this more sophisticated understanding of governance sees power as resulting from complex relations among lead firms, states and non-governmental institutions (Dallas et al. 2019), its original understanding of governance as the structuring of value chain divisions of labour (Gereffi et al. 1994) needs to be revisited through an understanding of *standardisation*. This is much more than ‘standards’ as the use of state and non-state institutional power to define the rules of the game for suppliers in the global economy (Ponte et al. 2011; Kaplinsky and Morris 2018), or what Dallas et al. call standards-setting as ‘agenda-setting power’ (2019: 672).

Veblen shows that standards are only one of the many facets of a broader process of standardisation as a *structural* power driving the division of labour. He helps us to see more clearly that it is through standards that lead firms control *what* suppliers produce (product standards), *how* suppliers produce (process standards), and how and what they *exchange* (logistics as standardised exchange). In sum, standardisation oils the circuit of capital by allowing smoother transitions across time and space between the production and the circulation of value. Whilst often viewed as an evolutionary economist and/or institutionalist, the Veblen we shine a light on is closer to Marx (Sweezy, 1958). As we deploy him, Veblen’s analysis is twofold: one an examination of standardisation and the drive for uniformity across industrial processes, and two, the emergence of the difference, turbulence and crisis that temporarily disrupts standardisation only to reboot it anew, in more concentrated and often more profitable

terms. He termed these two contrasting tendencies ‘the machine process’ and ‘the business enterprise’.

The sphere of the ‘machine process’ works through a sweeping standardisation and interdependence among its own sub-processes (Veblen 1908a, 2005; 53-63). Human knowledge, a communal project, creates the industrial arts and these give rise to standardisation in order to produce for humanity. In contrast, the business enterprise entails two simultaneous moves. Firstly, it privatises the ‘industrial arts’ (our collective knowledge) for the benefit of the few. This is an ongoing process because the evolution of capital is about the increasing privatisation and corporatisation of knowledge. Thus the deskilling of craft workers in the technical division of labour represents a moment where capital captures knowledge it did not create and uses it to redesign production processes, which better exploit labour and recreate hierarchy (Braverman, 1974). Part of this ongoing process is the creation and expansion of intangible assets, e.g. as we saw with the dyers’ books, intellectual property law ensures innovation no longer belongs to labour, but is assigned to capital. Furthermore, over time these intangible workers are subject to standardisation and routine in spheres such as innovation (Fisk, 2009; 173-6), marketing (Godley, 2006; 292-3) or other forms. However, standardisation also helps to build intangible assets. McDonald’s franchises roughly eighty per cent of its restaurants and standardises much of how the franchisee should act. But every existing and new franchisee strengthens the brand’s intangible assets through the restaurant’s architecture, trademarked design and look. Secondly, the business enterprise bifurcates capitalists into two opposing groups – those engaged in the business enterprise (the ‘pecuniary magnates’ who ‘operate on a higher plane as capital at large’) and those largely operating as ‘capitalist-employers’ (Veblen 1908b; 133). The latter are subjected to supply chain governance processes that can result in Nolan et al’s (2008) ‘cascade effect’ where suppliers centralise (e.g. via M&As) to meet the cost pressures and standards of business enterprise ‘lead firms’ at the apex of global production (see also, Nolan 2012).

Taking this a step further is Starosta’s (2010a) enhanced capital-small capital schema. ‘Normal’ capitals are characterised by an average rate of profit, generalised processes of concentration and centralization, and they actively seek to exercise market power-based control relations (such as the threat and ability to exclude) so as to try to appropriate a portion of the

surplus value that ‘small’ or ‘weak’³ capitals relinquish (Starosta 2010a). An outcome of this relationship is that normal capital can use strategies such as rent-capture to become *enhanced* capital when it is able to systematically accumulate surplus-profits (those above the average). Weak capitals are ‘the losers in the competitive war that nonetheless manage to extend their lifespan through systematic valorization at a rate of profit below the general one’ (Starosta 2010a: 447). Weak capital survives because neither normal nor enhanced capital is interested in investing in the ‘low-profit’ functions of a value chain (Starosta 2010b). These relations are not static so weak capitals may be reconstituted as ‘normal’ capital through the cascade effect, as Appelbaum’s (2008) research shows for giant electrical goods manufacturers and Kumar (2019) for global garment suppliers. Starosta’s schema is a dynamic one based on a qualitative differentiation of capitals-in-competition, where capitalist managers have agency to develop a diversity of tactics and strategies to accumulate and thus any particular trajectory of a firm to becoming ‘enhanced’ will be necessarily contingent on sectoral and historical-geographical dynamics (e.g. Campling, forthcoming). Through this lens we can see that the relative market power – or ‘rentiership’ – of ‘lead firms’ in a particular industry is not the *cause* of increased profits in absolute terms but an expression of differential rates of profit *in the relative context of the relations of power within the system as a whole* (Starosta 2010b: 544, 550).

We build on Starosta’s theorisation to examine two central processes that enable the (re)production of enhanced capital via the appropriation of a greater share of surplus value from global production (surplus-profits *and* ‘foreign components’). As we shall see, at the heart of the machine process and the business enterprise are standardisation and intangibles. Standardisation homogenises products and markets, while, through ‘putative differences’, intangibles differentiate products and markets and centralise power relations to empower some and disempower others.

4. Standardisation as control and imposition

It is well known that *standards* are a basis for competition and coordination between capitals in trade facilitation and development (Gibbon et al. 2010, STDF 2019) and in the creation of new global markets (Graz 2019). Less well recognised is the class-relational dynamics of *standardisation* and its role in differential accumulation in the division of labour. Our reading of Veblen is that his analysis of the machine process made him an early commentator on the

³ ‘Small’ here is not equated with scale – large firms can be ‘small’ in terms of the supply chain power they have and the portion of surplus value that they are able to hold on to – a power relation that, we argue, is often closely associated with their capacity to marshal intangible assets. To avoid confusion we replace ‘small’ with ‘weak’.

class dimension of standardisation (see also Silver's 2003 development of Vernon's product life cycle theory 1966). Veblen defined the machine process as being 'made up of interlocking detail processes, rather than as a multiplicity of mechanical appliances each doing its particular work in severality' (Veblen 2013: 10). In its production of tangible products, the machine process works through 'sweeping standardisation', i.e. the relentless drive within technical divisions of labour for uniformity. This uniformity proceeds by standardising the means of production, human labour, and finished products to generate a 'new industrial order' (Veblen, 2005; 37-40), where humanity's creative capacity has shifted from craft, guild and workshop, to the global behemoth of the factory (Freeman 2018). For Veblen, within this new order, it is intellectual capacity and coordination that create value, not workers or materials – these remain indispensable, but secondary. Added to this, as capitalism develops and becomes ever more coordinated it also becomes more dominated by large organisations seeking to privatise. Standardisation as standards, rules, routines, regulations, processes emerge as the bedrock of production (where Taylorism is perhaps its apogee, see Hanlon 2016; Baglioni et al. 2019). The overwhelming *compulsion for conformity* is the first and foremost entry barrier within industrial capitalism:

Irregularity, departure from standard measurements in any of the measurable facts, is of itself a fault in any item that is to find a use in the industrial process, for it brings delay, it detracts from its ready usability in the nicely adjusted process into which it is to go; and a delay at any point means a more or less far-reaching and intolerable retardation of the comprehensive industrial process at large. Irregularity in products intended for industrial use carries a penalty to the nonconforming producer which urges him to fall into line and submit to the required standardization (Veblen, 2013:11).

In this analysis, as in Marx, standardisation smooths out the circuit of capital and enables cutting edge industries to lead societal change because 'these greater industries now make the pace and set the standards of management and valuation for the rest' (Veblen, 2005; 39-40). For example, the logistical industries of communications and transport have at different times been at the forefront of capitalist development. First, in terms of the standardising processes within the logistics industry itself – steam then diesel, palletisation, containerisation, intermodality; and second, in the central role of logistics in capitalist planning of fragmented global production, spatially expanding capitalist circuits and strategies for capital

accumulation; pitting firm against firm; worker against worker; and transforming labour regimes in ever-more outward facing ways (Campling and Colás, 2021).

At the core of these great industrial processes are inter-dependence and interchangeability. The automobile is another key historic example of how interchangeability and inter-dependence emerge. The production of an automobile moved from being handmade to a standardised commodity located in routine processes that made labour interchangeable. However, automobiles also made industries inter-dependent through a concatenation of processes so that auto parts producers supply to specific standards or lose their role and logistical coordination of networks become central (Winchester, 2018; 129-72; Campling et al. 2020). As Veblen (2013; 10) expressed it

None of the processes in the mechanical industries is self-sufficing. Each follows some and precedes other processes in an endless sequence, into which each fits and to the requirements of which each must adapt its own working.

As such, standardisation (theoretically, but never entirely in practice) does a variety of things. It de-links production and place so that homogenised labour becomes interchangeable and one source of labour can be made to compete with another (often located in another place). It deskills labour to enable capital to more easily choose between groups of workers based on the production of difference by drawing on, gender, ethnicity, etc. in order to globally develop ‘a hierarchy of labour-powers, to which there corresponds a scale of wages’ (Marx, 1976; 469). Furthermore, it standardises consumption to speed up the circuit of capital through the creation of habits and routines and simultaneously ties production systems more closely together in supply chains spreading across continents and dominated by lead firms (Veblen, 2013, 1908; Baglioni et al. 2019).

As a process, standardisation is fraught with tensions and contradictions. It encounters workplaces as simultaneously a vehicle and an obstacle of value production in that workers’ bodies are at once the means and barrier to the transformation of labour power into value (Baglioni and Campling 2017). So, while production necessarily needs to ‘touch down’ where it will be more or less territorially embedded (Henderson et al. 2020), standardisation intervenes to partially transcend the limits of workplaces – their spatial, temporal and social embeddedness. It does so by creating the conditions for workers and labour regimes to be put into generalised competition with one another so that the circuit of capital can proceed apace (Taylor 2008). This is never automatic. Workers’ and other forms of resistance and reworking

are always contesting these processes (e.g. Castree et al. 2004) and bottlenecks or ‘chokepoints’ in global production networks can sometimes provide workers with leverage (Alimahomed-Wilson and Ness 2018; Selwyn 2007). Dynamics of standardisation are always class-relational.

As a representation of Veblen’s limitation, standardised industrial processes are largely unproblematic because, in his idealistic view, the ‘engineering’ type functionary of the ‘industrial arts’ is a benign figure – a conduit for human progress; generating what Schumpeter sees as a circular flow economy of equilibrium and mass produced standardised products. This conduit’s role is usurped by business enterprise functionaries who limit potential productivity by deciding what should and should not be produced based on calculations of profit or rent, interest and ‘permanent revenue streams’ and, indeed through sabotaging innovation, to keep revenues high. For the business enterprise, standardising machine processes empower capital to ‘free’ it from production whilst maintaining control of it at a distance thereby allowing the business enterprise to gain further control of the circuit of capital and the social division of labour. Here, Veblen’s (1908b, 2005, 2013) business enterprise acts like Schumpeter’s (1964) capitalist-rentier. It is the control that standardisation enables, which allows Apple to take 58 percent of the retail price from an iPhone made within its global supply chain and improve its year-on-year operating profit while, in parallel, its principal final assembler – Foxconn Technology Group – experiences a declining rate of profit (Chan et al. 2013; Kraemer et al. 2011). This outcome is made possible through Apple’s pursuit of cheap inter-changeable, deskilled labour to oil the wheels of huge machine processes in Foxconn’s network of factories (which employ 1.4 million workers globally and 1 million in China alone, Freeman 2018; 272).

Further, Veblen (1908b, 125-33) suggested that ownership increasingly shifts from small capitalist-employers to evermore concentrated and centralised firms seeking opportunities to capture value; a tendency first identified by Marx in the late nineteenth century and convincingly mapped again and again in the twenty-first century (Nolan and Zhang 2010; Starrs 2013; UNCTAD 2018). A key feature of this centralisation is its relationship to disequilibrium. The machine process prioritises equilibrium because it builds on coordination across international borders. Theoretically, manufacturers need rubber and steel to build automobiles but only in certain quantities at certain times to meet certain demand. However, the business enterprise is less interested in improving efficiencies of production and more interested in disequilibrium, buying cheap and selling dear, hoarding resources, investing or divesting in other companies to capture value, e.g. as rents, interest on loans, share buybacks,

asset stripping, brands, etc. (Baglioni et al. 2019, Lazonick, 2014). Importantly, standardisation enables comparison and control so that suppliers – like earlier English tenant farmers – are ‘only permitted to invest’ (Marx 1976; 764) in an industry by submitting to competition on terms set by lead firms. Suppliers are pitted against one another so that standardised machine processes, combined with logistics, allow for the separation of workers across firms and/or national jurisdictions, undermining labour’s ability to combine and contest capitalist control (Greer and Hauptmeier 2016; Lebowitz 2003; Peoples and Sugden 2001). In short, the business enterprise scans the standardised market to create or take advantage of disequilibria and the opportunities it brings. A central feature facilitating this is the rise of intangibles.

5. Intangibles, disequilibrium and value capture

One consequence of machine process-driven standardisation is a massive increase in productivity. Standardisation is a double-edged sword for capital. On one edge, it allows capital to grow exploitation through productivity increases, deskilling, improving capital mobility and – crucially for this article – widening the available search for differentiation and disequilibria amongst labour regimes and ‘weak’ capital across the globe. On the other edge, standardised processes tend towards homogenised products which encourage price sensitivity: if one is interested in telling the time what is the difference between a Rolex or a Timex? The business enterprise develops to create scarcity and/or difference to limit the impact of price sensitivity through intangible assets, e.g. brands, patents, trademarks, channel relationships (Aaker 1991; 16).

For Veblen, the line between the tangible and the intangible is unclear. Innovation is a good example of this blurring. Just as research and development is an *intangible* asset which has emerged out of worker practises, juridical decision-making and organisational change (Fisk, 2009) so it came to be controlled by corporations, even if publicly funded (Mazzucato 2013). However, it is also at the centre of the *tangible* economy. As we saw, over the late nineteenth/early twentieth century, knowledge was stripped from being a ‘personal attribute’ of specific producers and transferred as new forms of property to corporations (the master dyer example earlier). Thus many intangible assets emerged from knowledge that was captured and privatised in the interests of capitalist property rights.⁴

⁴ Importantly, even in the master dyer example, ‘a critical history of technology would show how little any of the inventions of the eighteenth century are the work of a single individual’ (Marx, 1976; 493 ft. 4)

Intangible assets – marketing, brands, innovation, reputation, etc. – grow in importance as capitalism develops. Unlike tangible assets they do not generate value, they distribute it; they do not get consumed through use, but expand through it; and rather than producing things, they produce new habits, aspirations, affects. However, the expansion of these assets is intimately linked to standardisation and knowledge capture. The use of intangibles empowers corporations to redistribute value towards owners of the intangible. For Veblen, intangibles are always predicated on tangibles – or the business enterprise on the machine process – and central to this relation is value capture. The business enterprise arises to transcend machine process standardisation. It aims to limit standardisation’s stagnancy and generate profits through the creation of intangibles and, as we will see, scarcity. Intangibles are non-value producing immaterial assets with a non-technological character that are income-yielding: ‘they serve no materially productive work, but only a differential advantage to the owner in the distribution of the industrial product’ (Veblen, 1908b, 115; see also Quentin 2020). This is crucial to our argument. Intangible assets do not start on a level playing field, or spring from the genius of some entrepreneur, but are rooted in the social division of labour which gives ‘differential advantage’ of some social groups over others. In other words, intangibles inscribe the privilege of a small minority over others and by virtue of this differential, owners of intangibles create more difference to take advantage of existing power relations within the division of labour in order to further accumulate wealth. Intangibles manufacture scarcity. For example, patents and brands generate quasi monopolies: only McDonalds can deploy the golden arches sign and a transportation company cannot call itself American Express.

Another feature of intangible assets, is that they expand and are reinforced through their use. For example, extending a patent by ever-greening enables a pharmaceutical company to continue to extract rents from the overpricing of brand-name drugs *and* reinforce its brand or corporate reputation as an important actor in the field with regulators, health professionals, potential firms of acquisition, and generic drug manufacturers as future partners when the patent runs out (Chalmers, 2006; Kesselheim et al. 2016). Thus, like a muscle, the intangible is strengthened in use – old brands dominate old industries. For example, across 22 product markets for fast moving consumer goods (e.g. toothpaste, biscuits, tea, etc.), 19 of the leading brands in 1925 were still the leading brand in 1985, two of the remaining three firms were the second brand leader, and one was fifth (Aaker 1992; Table 3-4). Intangible assets enhance corporate power and rivals simply find it difficult to overcome the brand recognition barrier to entry – they cannot penetrate, what Schumpeter calls, the ‘special market’. As such, the

property rights of intangible assets forcefully insert power relations into the machine process and the wider economy. Intangible asset success increases barriers to entry and although they are unproductive, in the sense that they do not generate new wealth, they do distribute existing wealth generated by the machine process to strengthen the business enterprise (Veblen 1908b, 117). Therefore, intangibles are inherently relational in a double sense: the value accrued is generated elsewhere, *in relation to production* and *at the expense of someone else* (the owner of the machine process, the community, the worker). This already anticipates that the business enterprise controls the machine process and it helps to operationalise Starosta's enhanced capital-weak capital schema.

Furthermore, as with Schumpeter's (1964; 71) 'trustified' rather than 'competitive' capitalism, capital in the business enterprise moves away from a direct input in production to one of providing finance, securing intellectual property, controlling firms at a distance, capturing value by creating new property forms (Fisk 2009), buying up businesses in order to seek 'unearned income', etc. (Veblen 2005; 47). Veblen argues:

The basis of the business enterprise on the higher plane is capital-at-large, as distinguished from capital invested in a given line of industrial enterprise, and it becomes effective when wealth has accumulated in holdings sufficiently large to give the holder a *controlling weight* in any group or ramification of business interests into which he may throw his weight by judicious investment. (1908b; 135. Emphasis added)

Control further feeds from the fact that while the tangible is measurable, the intangible is less so – this difficulty of measurement can be seen in brand equity value, which is often under or over estimated by 30 per cent (Aaker and Joachimsthaler, 2000; 16). One way of conceiving of this is to think about the value derived from a t-shirt with or without a Nike swoosh. Without a logo, a cotton t-shirt is simply a cotton t-shirt and the costs of its production are measurable – labour, raw materials, equipment, transportation. In contrast, for Veblen (2005, 85-113), intangible assets muddy the waters. He argues the costs of the intangible work involved in creating a 'prospective gain' increases with capitalist development and becomes 'a necessary cost of production' and, indeed, a barrier to entry. Once the brand or patent begins to deliver a steady stream of 'free income', the cost of maintaining its value actually creates an asset and a legitimate overhead charge (Aaker and Joachimsthaler, 2000). Further, and as we argue here, the process of brand valuation side-steps the question of where the value comes from in any

given global production network, e.g. do intangible assets ‘add’ value or are they used to *capture* value from weak capitals? (See, also Quentin and Campling 2018; Quentin 2020.)

A question that emerges is, which is the more powerful driver of value – the manufacture of say a tangible t-shirt or the intangible value of the brand? Although the intangible is always built on the tangible (there must be a tangible t-shirt for the ‘swoosh’ to be stitched into), Veblen (1908b; 123-4) argues the intangible is the more powerful because it creates quasi-monopoly enhanced control of the division of labour. These mechanisms of quasi-monopoly – Schumpeter’s ‘special markets’ – include new corporate property rights such as patents, copyright, ownership of workplace knowledge, trade secrets, reputation, etc., but also the creation of new routines, easy semi-scripted behaviours, or aspirations generated by intangible assets (Aaker 1991; Ritzer 1993, Godley 2006, Fisk 2009). As noted, the business enterprise goal is not necessarily to improve production, but to increase the role of intangible assets themselves because these allow quasi-monopoly value capture. In short, once investments in intangible assets become established, these costs are exploited to capture value from ‘production’.

Intangibles are increasingly used to weaken the position of tangible producers by acting as barriers to entry. Hence, combined with its command of vast volumes of sales – and supply contracts – Nike has power over its t-shirt suppliers to extract a disproportionate amount of value. Whether or not this is entirely or always ‘rentier’ is perhaps beside the point because overall, while the machine process spurs *homogeneity* of production and consumption, the business enterprise takes the *differences* lying in society to the realm of business relations in order to gain from them and expand them. It does so by maintaining homogeneity in the technical sphere of production, but creating putative differences beyond. For example, fast fashion highlights difference and rapid changes in taste, but this flexibility is built on standardised production and distribution networks. Indeed, much of the flexibility in the new economy is dependent on rationalisation and mass production (Thompson, 2003) so that intangibles presuppose the machine process (i.e. the process of material production) and broader social divisions of labour and inequality, which they then magnify. As such, the relation between the machine process and the business enterprise is dialectical, one is the realm of value production, the other a realm of its distribution.

6. Conclusion

As we flagged in our introduction, we question the significance of rentierism as a way of understanding the contemporary economy and the dichotomies presented in some of the scholarship on distribution and value, which seem to revolve around rent versus entrepreneurship and/or ‘productive’ versus ‘unproductive’ capitalism. It is not that rent is not occurring, rather that it is an outcome of other processes. We argue for a focus on relations of power and control within the technical and social divisions of labour because this is the foundation of distributive practices. Distribution strategies are always located in power relations within the division of labour (Marx 1976; 655-67) and, relatedly, regulatory strategies determined by states and supra-state institutions in light of such struggles (Hudson 2008, 428). In this rendition, we should relate rent, profit, interest etc. back to production and the circuit of capital. Hence there is no productive versus unproductive capitalism, or entrepreneurship versus rentiership, there is capital’s exploitation of labour and then better or worse distributive outcomes.

If we see rent as a class relation, then relations of power become key to any analysis because moments of value extraction will vary as relations change. In making this argument we are not refuting the idea of rent or rentiership per se – far from it, but we are suggesting that it is a second order problem. By focusing on relations of power and value capture within the circuit of capital and the division of labour’s current dominant organisational forms, e.g. lead firms, system integrators, enhanced capital, etc., we can link distributive outcomes to standardisation and intangible assets. However, this is not new. Rather, it is a return to a less fettered capitalism built on neo-liberal regulatory structures which empower the business enterprise through new machine processes – e.g. containerisation, ICT, automation, etc. – that enable capital to traverse space more efficiently to expand capitalist social relations (e.g. China’s integration into the capitalist world economy). Importantly, these new machine processes are only the latest in a long line of standardised production processes empowering capital.

Central to our analysis is the relationship between the machine process and the business enterprise (which manifest as standardisation and intangible assets). As has been long argued, the technical division of labour is subject to standardisation. This is a process driven not simply by labour control, but also by a desire of lead firms to gain hegemony over production processes within a supply chain that may or may not be owned by them. The homogenisation of the machine process within a of a supply chain enables capital greater freedom to make inter-

changeable labour-powers compete; allows lead firms to push less profitable activities onto weak capitals; and make weak capitals compete within its supply chain. Homogeneity also gives enhanced capital greater control of its market by being able to say to customers, as Singer did a century ago, ‘we guarantee consistency in our product’ so that the act of purchase becomes more routine and thereby enhances intangible assets further (Ritzer, 1993, Veblen 2013). Thus standardising machine processes in technical divisions of labour provides enhanced capital with greater control over labour, weak capital, and markets – the circuit of capital.

However, in order to exploit the advantage of homogenisation, enhanced capital increasingly turns to the business enterprise or intangible assets leaving weak capital to occupy the terrain of the machine process. We can best demonstrate this using an exaggerated ‘ideal type’. Business enterprise capital focuses on intangible assets such as marketing and brands, intellectual property rights, finance, research and development, etc., to then create an artificial scarcity. Paradoxically, the business enterprise is used to overcome the undermining of scarcity that is made possible by standardisation and mass production. In so doing, it allows those with property rights to reconfigure the social division of labour in their own interests or have influence over the distribution of the value produced in ‘their’ production network in particular directions. Through focusing on the development of standardisation and intangible assets in the division of labour, we can better understand the production and distribution of value in the circuit of capital. These two, co-constituted, forms enable the concentration and centralisation of capital and empower some capitals to capture value at different points in the circuit of capital which they own and/or control – even if they do not create this value. This enhances capitals with intangible assets. In so doing, these processes distribute wealth to the already powerful and hence are central to the expanding inequality prevalent today as characterised by the notion of rentierism. These developments are not new, but they appear to be intensifying with global capitalism. Veblen and Schumpeter voiced concerns about this almost a century ago. Building on Marx’s insights, we argue these processes are foundational to the tendency towards concentrated and centralised capital. Further, we would argue that rent can tell us how this wealth is distributed, which is useful, but on its own this is insufficient and needs to be augmented with an analysis of production in the division of labour.

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