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No Logo: A brilliant but flawed portrait of contemporary capitalism

A review of No Logo
by Naomi Klein
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by Walden Bello

When the young Canadian woman modestly handed me her book, with the quiet dedication "to Walden, with respect and solidarity," little did I know that I was receiving a stick of dynamite.

Before our meeting at the World Social Forum in Porto Alegre, Brazil, a few weeks ago, I had, of course, heard of Naomi Klein and had read somewhere that her No Logo was fast becoming the anthem of the anti-globalization movement. But nothing had prepared me for the dizzying intellectual experience of going through the book.

No Logo is compelling, but it is not an easy read. Reading Klein is like serving alongside a skilled commander, who probes the enemy's many defenses to expose them in order to better locate the principal point of vulnerability. The probing is incessant, and just when the reader thinks the author has identified the key to the defense, she reveals that this is only one episode in unraveling the dynamics of contemporary capitalism. She pushes on with the reconnaissance, but you can only take so much in one sitting. This is deconstructive writing at its best, the product of a first-rate, restless mind that is not satisfied with drawing a solitary insight or two from her material but a train of them.

Klein's analysis is not without its flaws, and these are not insignificant. But before pointing these out, one must first unpack the gems, for they are priceless.

AGE OF THE BRAND

Klein's essential point is that capitalism in the age of globalization is the age of the brand, the logo. Logos are everywhere, staring at you during your most private operation in the john; invading once clearly marked delineated public spaces like schools; becoming, like the Nike swoosh, the centerpiece of athletic and cultural spectacles. We live in a "branded world" where taste, cultural standards, and ultimately even values are increasingly defined by mega-brands like Nike, whose swoosh has come to represent the ultimate in athletic style and whose slogan "Just Do It" identified it with the assertion of individuality.

The Age of the Brand witnesses the evolution of a new relationship between the producer and its product. Whereas brands were originally meant to assure the quality of the product, today the brand has detached itself from the product to become instead the selling point. Klein distills this insight in one gem of a paragraph that is worth quoting in full:

““Many brand-name multinationals are in the process of transcending the need to identify with their earthbound

products. They dream instead about their brands' deep inner meanings--the way they capture the spirit of individuality, athleticism, wilderness or community. In this context of strut over stuff, marketing departments charged with the managing of brand identities have begun to see their work as something that occurs not in conjunction with factory production but in direct competition with it. 'Products are made in the factory,' says Walter Landor, president of the Landor branding agency, 'but brands are made in the mind.' Peter Schweitzer, president of the advertising giant J. Walter Thompson, reiterates the same thought: 'The difference between products and brands is fundamental. A product is something that is made in a factory; a brand is something that is bought by a customer.' Savvy ad agencies all have moved away from the idea that they are flogging a product made by someone else, and have come to think of themselves instead as brand factories, hammering out what is of true value: the idea, the lifestyle, the attitude. Brand builders are the new primary producers in our so-called knowledge economy.'"

Brand after brand is unsparingly deconstructed: Levi Strauss, Starbucks, Pepsi, McDonalds, Wal Marts, MTV, Tommy Hilfiger, to name just a few. It is, however, Nike that is the book's bete noire and Nike CEO Phil Knight that emerges as its anti-hero.

NIKE: THE BRAND TAKES CENTRE STAGE

Nike began as a firm identified with a popular "high tech" sneaker, which soared on America's jogging craze in the sixties and seventies. It was, however, in the mid-eighties, when the jogging mania subsided and Reebok cornered the market in trendy aerobic sneakers that Phil Knight pushed the transition of Nike from being a sneaker producer to being promoter of a lifestyle, to being the "essence of athleticism."

Nike signed on Michael Jordan to personify the Nike spirit, clambering on Jordan's basketball skills to become a superbrand while simultaneously turning Jordan into a global superstar with a stunning advertising campaign. Then Nike went on to become a force in professional sports, buying the Ben Hogan Golf Tour and renaming it the Nike Tour, setting up a sports agency of its own to represent athletes in contract negotiations not only with team owners but also other would-be corporate sponsors, and even creating Africa's first Olympic ski team for the 1998 Winter Olympics in Nagano. The third step was to "brand like mad," meaning stamp the Nike swoosh on all clothing connected with sports: track suits, T-shirts, bathing suits, socks. And the aim of all this? "[B]y equating the company with athletes and athleticism at such a primal level," asserts Klein, "Nike ceased to merely clothe the game and started to play it. And once Nike was in the game with its athletes, it could have fanatical sports fans instead of customers."

Having identified Nike with sports, Knight is moving to bring the swoosh to new frontiers, like entertainment, where he is about to launch a swooshed cruise ship. The latest marketing doctrine motivating Nike and other successful brands is that profitability lies in creating "synergy." Simply dominating an industry is no longer enough. The brand must expand laterally into other dimensions of existence, from sports to entertainment to school to culture. "[I]f music, why not food, asks Puff Daddy. If clothes, why not retail, asks Tommy Hilfiger. If retail, why not music, asks the Gap. If coffee houses, why not publishing, asks Starbucks. If theme parks, why not towns, asks Disney."

It was not only size that motivated the mega-mergers of the 1990's, says Klein. America Online's merger with Time, Viacom with CBS, Disney's purchase of ABC--all this and more were driven by the desire to enclose the consumer's waking life within the brand. With the brand moving from denoting a product to denoting lifestyle, the aim has become no less than to seduce the consumer into believing that "you can live your whole life inside it." Thus the fiercest fights are no longer between warring products but "between warring branded camps that are constantly redrawing the borders around their enclaves, pushing the boundaries to include more lifestyle packages...."

"HIJACKING COOL"

The flight from selling the product to selling a lifestyle associated with a brand takes place in a market that is dominated by the "youth demographic." Thus the importance of being associated with what is "cool." And "cool," Nike and Tommy Hilfiger discovered, was to be found in the black ghetto. The megabrands cloned ghetto wear, testmarketed them among poor young blacks in America's inner cities, then spun them off into the white middle class youth market. What the admen saw as innovative marketing, Klein sees as an essentially parasitic relationship. And what the brands did to cultural expressions of youth alienation and revolt- punk, hip-hop, fetish, and retro--they also did to feminism, gay liberation, and multiculturalism. That is, turn anti-establishment themes into promotional hits for the brands, like Nike's "Just do it." Not even the corporations' fiercest enemies were spared from being potential advertising copy. Nike offered Ralph Nader \$25,000 to hold up an Air 120 sneaker while saying, "Another

shameless attempt by Nike to sell shoes." Nader refused.

FLEEING THE FACTORY

The flight from product marketing to brand marketing has relegated manufacturing to a subordinate role in contemporary capitalism. Contracting out production to nameless producers kept on a tight leash, the mega-brand innovators found, could save money that could then be plowed back to marketing the brand. "Traveling light" came into vogue, meaning shedding your own factories, cutting your work force, and passing the dirty task of production to fly-by-night Taiwanese or Korean operators moving from one export processing zone to another in Asia.

Some of the book's most poignant pages are on the life of globalization's paradigmatic labor force: unionized, horribly underpaid, permanently "temporary" female workers in the export processing zone of Rosario, Cavite, in the Philippines. Here the illusion of the benefits of foreign investment for developing countries is dashed to pieces by the reality of young lives wasting away in factories that are more like prisons, of wages that are so low that most workers' pay is spent on shared dorm rooms, transportation, and basic sustenance, of government officials so scared of investors leaving for Vietnam or China that they offer the footloose subcontractors all sorts of tax breaks and dare not allow unionism.

As in other matters, Nike led the way. Shedding its factories in the North, Nike transferred its production to subcontractors, who proceeded to do the dirty work of squeezing wages, institutionalizing forced overtime, and preventing union organizing. That the same subcontractor sometimes churned out Nike sneakers along with Adidas and Reebok sneakers was not unusual. When confronted with accusations of exploiting labor, Nike, Adidas, and Reebok would wash their hands off responsibility, saying that that was a matter between workers and the subcontractor.

What goes around comes around, and what Nike and the other megabrands did to workers in the South, they also did to the young workers selling their products in the North: eliminate permanent employment, do away with benefits, pay them the minimum wage, keep them part-time, and sever the last non-instrumental tie by contracting them from temp agencies. Many functions that were once performed in-house by permanent employees have now been contracted out wholesale to temp agencies which "have become full service human resource departments for all your no-commitment staffing needs, including accounting, filing, manufacturing and computer services." The new mantra for the street-smart CEO comes from Tom Peters: "You're a damn fool if you own it." And the apotheosis of the age is the CEO for hire, like "Chainsaw" Al Dunlap, an individual paid millions in salary and stock options to put a corporation back in the black, whose first act in office was almost invariably to slash the work force.

The result was corporate overreach. Any student of social movements could have told the wonder boys of brand capitalism that the combination of invasive advertising, cultural piracy, casualization of the labor force, and desertion of communities would create resistance, and that it would spur a backlash even among the very people that whose taste, style, and values the megabrands had labored so hard to mold: the young. In a series of well-publicized David-versus-Goliath confrontations in the 1990's, public opinion tilted the balance towards the Davids. Nike confronted the global anti-Nike campaign, and it blinked. Shell and Greenpeace fought at close quarters over the Brent Spar in the North Sea, and Shell retreated. McDonalds sued two environmentalists in London for libel, and it ended up crying uncle. By the late 1990's, these campaigns and others were merging into a real global anti-corporate movement, one that was intensely political but, unlike the old left, decentralized, pluralist, non-hierarchical, intensely networked via the Internet--thanks to folks like AOL's Steve Case and Bill Gates--and uncompromising. "When I started this book," writes Klein, "I honestly did not know whether I was covering marginal atomized scenes of resistance or the birth of a potentially broad-based movement. But as time went on, what I clearly saw was a movement forming before my eyes." Written before the Seattle Uprising that brought down the WTO Ministerial in December 1999, No Logo was prophetic.

BUT MANUFACTURING MATTERS

No Logo is brilliant but flawed. At every opportunity, Klein reminds us that in today's capitalism, manufacturing has yielded the place of honor to marketing. This is, however, a case of pushing an insight a bridge too far. The decentering of manufacturing may well be the case in the footwear and garment industries, in services, or in entertainment, where technological input is low relative to other sectors of the economy. But it is definitely not the case in those sectors that drive the rest of the economy, like the electronics industry.

Intel, for instance, functions like an old fashioned brand. It does not denote a distinctive lifestyle like the Nike swoosh does; it signals that you are using state-of-the-art chips. Likewise, the Cisco Systems logo denotes only one thing to the thousands of dot.com businesses that rely on it for the key components of the hardware and software that make the Internet possible: that its manufactured products are indispensable. The Microsoft Windows brand may denote all sorts of things, but if the firm's capabilities of its software and Internet products fall behind the competition, not even the slickest brand campaign will be able to protect Microsoft's bottom line. Marketing differentiates otherwise similar products in the light industrial, retail, and service sectors. Manufacturing matters once you get to the technology-intensive sector.

As in earlier eras of capitalism, the edge in production today is provided by superior capital resources, monopoly over high technology, and control over markets. Market dominance is not simply a function of good marketing. It is dependent on generating the capital resources that would give one a lock on cutting-edge technology that can translate into a superior product. Of course, light industry, retail, and entertainment dance are critical sectors of the economy, but they dance to the tune of the revolutions in the techno-manufacturing sector.

Indeed, even in light industry, the focus on marketing instead of production is actually a defensive move stemming from developments at the level of production. The move from pushing the product to flogging the brand came after Asian producers began to swamp the US market with imports that were not only cheap but damn good.

Moving upmarket and leaving the lower end to the Asians and other developing country producers provided only temporary relief since it was only a matter of time before the Asians could match the Northern firms in design and quality, as Hongkong-based producers like Bossini and Giordano showed. Unlike the smaller garments and textile firms that sought to save themselves by pushing their governments to limit Asian imports via quotas, the mega-brands, seeing that this was dead-end solution, chose an innovative defense: subcontract your production to the brutally cost-effective Asian producers, while keeping them in line by tightening up on "intellectual property rights," by securing the passage of draconian international legislation protecting the brand.

THE USE OF TRIPs

Thus the importance of the Agreement on Trade-Related Intellectual Property Rights (TRIPs), which is the centerpiece of the landmark General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO). The TRIPs section on the protection of trademarks could easily have been drafted by Levi Strauss or Nike lawyers--and it is surprising is that while she has scattered, sometimes insightful comments on copyright laws, Klein fails to systematically examine the relationship between the emerging needs of the mega-brands and the US government's push for the incorporation of TRIPs into the WTO agreement.

But it is not the section on trademarks that is the most critical part of TRIPs. It is the section on patents, especially patents on process technologies that are at the heart of high technology manufacturing. The TRIPs regime provides a generalized minimum patent protection of 20 years. It radically increases the duration of protection for semi-conductors or computer chips. It institutes draconian border regulations against products judged to be violating intellectual property rights. And it places the burden of proof on the presumed violator of process patents--an interesting reversal of the legal principle of being regarded innocent until proven guilty.

TRIPs was meant to protect the low-tech Nikes and Tommy Hilfigers, but it was intended most of all for the Microsofts, the Pfizers, and the Monsantos. These knowledge-intensive manufacturers are the drivers of the US economy. Monopoly is their game, and the WTO's TRIPs agreement is their medium. Innovation in the knowledge-intensive manufacturing sector--in electronic software and hardware, biotechnology, lasers, optoelectronics, liquid crystal technology, to name but a few industries--has become the central determinant of economic power in our time. And when any company in Asia and other parts of the developing world wishes to innovate, say in chip design or software, it necessarily has to integrate several patented designs and processes, most of them from electronic hardware and software giants like Microsoft, Intel, and Texas Instruments. As the Koreans have bitterly learned, exorbitant multiple royalty payments to what has been called the American "high tech mafia" keeps one's profit margins low while reducing incentives for local innovation.

The likely upshot of all this is that Asian hi-tech manufacturers like Samsung or even Acer will follow the lead of their low-tech brethren in textiles and garments, and subcontract production from the Suns, the Apples, and the Intels. TRIPs enables the technological leader, in this case the United States, to greatly influence, if not determine,

the pace of technological and industrial development in rival industrialized countries, the newly industrialized countries, and the developing world. Manufacturing matters, and in this age of globalized production, monopoly of technology provides the critical edge.

MISSING I: THE CRISIS OF OVERPRODUCTION

Klein's focus on marketing instead of manufacturing also leads to quasi- metaphysical formulations like the assertion that it is the need "to transcend the need to identify with their earthbound products" that is the driving force of today's corporations. If marketing has become so fierce and innovative, it is because of the exacerbation, owing to globalization, of the old contradiction that marked capitalism from its birth: the crisis of overproduction or underconsumption.

Capitalism is marked by cycles of expansion and contraction. In the expansive phase, expectations of continuing profit cause firms to invest in capacity. Overinvestment or overcapacity results, leading to a crunch in profits. In the current cycle, profits stopped growing in 1997. With tremendous capacity all around, firms tried to offset the plunge in profitability by reducing competition. "Synergy" may have been a motivation in some cases, as Klein claims, but it was the elimination of competition that was the goal of the most important mega-mergers and mega-"alliances" of the last few years--the Daimler Benz-Chrysler- Mitsubishi union, the Renault takeover of Nissan, the Mobil-Exxon merger, the BP-Amoco-Arco deal, and the blockbuster "Star Alliance" in the airline industry.

The US computer industry's capacity is rising at 40 percent annually, far above expected increases in demand. In the auto industry, worldwide supply is expected to reach 80 million in the period 1998-2002, while demand will rise to only 75 percent of the total. The consolidation of the global car industry into less than 20 major players is essentially a drive to reduce the capacity of an immensely productive industry. As economist Gary Shilling puts it, there are "excessive supplies of almost everything." Overproduction or underconsumption is a function of consumer demand, and the more the corporations try to increase their profits by limiting competition, the deeper grows the crisis since limiting the competition translates into layoffs and the transformation of the work force into part-time, temporary, free-lance, and home-based workers. This means cutting the very consumer demand that is needed to stimulate production.

Income distribution is another factor limiting demand and inducing overcapacity. While the US economy was expansive in the 1990's, there was a lot of news about how tight the labor market was and how unemployment was down to record levels in the US. But was only around 1997 that real wages registered a slight rise after years of decline or stagnation. As Robert Brenner has pointed out, the massive restructuring to regain profitability that marked the 16-year period 1979-1995, forced the bottom 60 percent of the US labor force to work for progressive lower wages, so that by the end of the period, their wages were ten percent lower than they were in the beginning. The restructuring that is supposed to have made the US economy super-competitive has combined the development of tremendous capacity with the worst distribution of income among the major advanced countries. This is glaring contradiction, suppressed for a time by hyperactivity in the financial sector, that has asserted itself in the spreading recession.

In addition to limiting competition, another mechanism used by the corporations to relieve the crisis of overproduction and profitability is to open up new markets. This drive has intensified in the last two decades, which have seen trade and financial liberalization pushed on Southern economies by the World Bank, International Monetary Fund, and the World Trade Organization. Yet, while liberalization has enabled transnational corporations to penetrate limited middle class and elite markets, it has negated these gains by visiting greater impoverishment and greater inequality on the mass market.

The gap between capitalism's tremendous productive capacity and the limited purchasing power of most of the participants in this system is even more stark at a global level. The number of people living below poverty level globally increased from 1.1 billion in 1985 to 1.2 billion in 1998, and is expected to reach 1.3 billion this year. If you exclude China, where statistics are not reliable, the proportion of the population of the developing world classified as poor had remained broadly constant since 1987, according to the United Nations University-World Institute for Development Economics Research survey. Based on the proportion of the population living in great poverty, there are now 48 countries classified as least developed countries (LDC)--three more than a decade ago.

If one moves from poverty to income inequality as an indicator of purchasing power, the picture is even clearer. A study of 124 countries representing 94 percent of the world's population shows that the top 20 percent of the world's

population raised its share of total global income from 69 to 83 percent. Tremendous wealth among the few at the top, tremendous poverty among the billions at the bottom, and a middle stratum whose incomes are eroding or are stagnant--this is the contradiction that is responsible for the overproduction, over-capacity, and under-consumption that is wracking the US-dominated global economy.

The Bretton Woods institutions and the WTO that have played such a critical role in this process of global impoverishment hardly figure in Klein's rogue gallery. Yet, even more than individual corporations, these institutions occupy a special place in the pantheon of targets of the anti-globalization movement. They are seen as the enforcers of the global rules that benefit the TNC's, and activists are right that successfully delegitimizing them will translate into less predictability and tremendous uncertainty for all TNC's operating in the South.

MISSING II: THE ROLE OF FINANCE

Klein's neglect of the dynamics of production in the era of global capitalism is a blind spot that also leads her to neglect the centrality of speculative capital in this era. Nowhere in the book does George Soros, one of the two paradigmatic capitalists of our time (the other being Bill Gates), make an appearance. Alan Greenspan, the Asian financial crisis, the hedge fund Long Term Capital, the Citigroup merger, Robert Rubin, the "Wall Street-Treasury Complex"--these actors and events are either absent or mentioned in passing.

Yet, because of the crisis of overproduction and profitability in manufacturing, the US economy and the global economy are increasingly driven by finance, by speculative activity, as analysts like Doug Henwood have pointed out. Diminishing returns to key industries have led to capital increasingly being shifted from the real economy to squeezing "value" out of already created value in the financial sector. They have also driven the liberalization of financial markets to allow the free flow of capital from one capital market to another in search of increasingly paper-thin advantages. And in this regard, the role of the International Monetary Fund (IMF)--another key global actor about which Klein has little to say-- has been central in eliminating the restrictions on capital movements in the Asian economies and other developing economies.

What resulted was essentially a game of global arbitrage, one played mainly by US financial operators. Capital moved from one financial market to another seeking to turn a profit from the exploitation of imperfections of globalized markets via arbitrage between interest rate differentials. Hedge funds did simultaneous transactions in several markets, seeking to profit from the difference between nominal currency values and "real" currency values. Fund managers entered a market to engage in short-selling stocks, that is, borrowing shares to artificially inflate share values, then selling and hightailing it like the proverbial Natchez gambler. Attracted by high interest rates and fixed exchange rates, speculative investors brought their billions to fuel real estate and stock market bubbles that burst with the Asian financial debacle of 1997 and the Russian and Brazilian financial crises of 1998.

The interplay between speculative capital and high tech manufacturing firms is another key dynamic of the era of finance-driven capitalism, and one that Klein hardly addresses. Increasingly, the relationship between Wall Street and the Silicon Valley/Seattle complex departed from the dynamics of the real economy. As overproduction drove out profitability in the so-called "Old Economy," the smart speculative set migrated to high tech stocks, and here virtual capitalism took hold, one based on the expectation of future profitability rather than on actual profitability, a dynamic exemplified by the rapid rise in the stock values of Internet firms like Amazon.com that still have to turn a profit. Once future profitability rather than actual performance became the driving force of investment decisions, then Wall Street operations became indistinguishable from high-stakes gambling in Las Vegas.

The New Economy was essentially a speculative bubble that floated away from the Real Economy, with almost all players knowing that the bubble would burst at some point, but that somehow, unlike the rest of the herd, one would escape it by pulling out, having made a killing, in the nick of time. Not quite New Economy but not quite Old, the Nikes, Starbucks, and Barnes and Nobles were also sucked into the casino mentality, their direction being increasingly driven by mystical indicators meant to give some scientific gloss to gambling behavior, like "shareholder value" and "earnings per share."

The bubble finally burst in the last few months, wiping out \$4.6 trillion in investor wealth, a sum that, as Business Week points out, is half the US GDP and four times the wealth wiped out in the 1987 crash. More important, the financial sector's ability to absorb investment that could not generate profits in the production sector has been shattered. Averted by speculative activity for about four years, the contraction--a deep one, it seems--has finally caught up with the global capitalist economy.

Naomi Klein paints an unparalleled portrait of the culture of capitalism in the age of globalization. She also provides us with the best analysis yet of the rise of the anti-globalization movement. She has, moreover, written a very insightful work on the dynamics of light manufacturing, the service sector, entertainment, and retail, where marketing has eclipsed manufacturing, where selling the product has given way to establishing the hegemony of the brand in the consumer's total lifestyle. But the portrait is incomplete and one-dimensional. Nike and Tommy Hilfiger are not in the same class as Intel, Microsoft, Long-Term Capital, Cisco Systems, and Citigroup, the high-tech and financial giants which power the rest of the economy. Indeed, Nike and Adidas and Walt Disney ultimately dance to the tune of the Wall Street-Silicon Valley complex. In the total economy, it is not "synergy" or brand imperialism that ultimately serves as the engine of change but the classical crisis of overcapacity in production leading to the hegemony of finance capital. In sum, this is a book that is as brilliant as it is flawed. But then what great book isn't?

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