The World Crisis: the globalisation of the general crisis of Fordism

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In 1976, the Parisian publisher Dunod brought out two collections of economic articles, one entitled *Fluctuation in a Prosperous Economy* and the other *Rupture of an Economic System*. History has unfortunately vindicated the latter. Since average rates of growth have remained fairly high, it is not absurd to view the crisis as a succession of contingent shocks in a progressive evolution, shocks which have ultimately been absorbed. This interpretation, however, ignores the intolerable growth of poverty not only in the Third World but also in the most prosperous metropoles; the immensity of the mutations that have been occurring; and above all, the progressive spread of uncertainty about the future, in contrast to the expectations of the glorious post-war years. 'The old is dying; the new has not yet been able to be born': Gramsci's formulation aptly grasps the essence of the crisis. This article seeks to sketch this painful gestation process, in the light of some recent studies that are sometimes designated the 'French school of regulation'.[1]

Our point of departure will be to describe the basis of the 'Fordist' model of development, including its international aspects. The second section will analyse the system's entry into crisis, from 1967 to 1974. The third section will present a transitional regime which schematically links the two oil shocks, characterised by a 'Keynesian management' of the crisis in the developed countries, and the take-off of 'peripheral Fordism'. After measuring the damage done by the 'monetarist shock', the conclusion will underline the scale of problems to be resolved before one could speak of 'emerging from the crisis'.

[1] The 'French school of regulation' has developed around the concepts of the 'regime of accumulation' and the 'mode of regulation'. The regime of accumulation is a systematic mode of dividing and reallocating the social product, which achieves over a period a certain match between the transformation of the conditions of production and final consumption. The mode of regulation is defined as the ensemble of institutional forms, networks and norms which assure the compatibility of behaviours in the framework of a regime of accumulation.

A Well-Regulated Regime of Accumulation: Fordism

To understand that the crisis cannot be reduced to some shocks caused by the carelessness of rulers (monetary laxity) or the sudden greed of some of the groups sharing the total world product (OPEC, or trade unions) we have to understand how 'the old which is dying' used to work in its heyday, the epoch which President Johnson dubbed 'the US summer'. The 'Fordist' model of accumulation grew out of a revolutionary change in the organisation of work generalised in the USA, (and partially in Europe) in the 1920s, i.e. Taylorism. Taylorism meant a deepening of capitalist control of the labour process through 'scientific management'. 'Fordism' represented in the first place, a watershed in this development, which was reached by incorporating the know-how of the collective worker into an automatic system of machinery, which dictated work methods [Coriat 1979]. In the inter-war years, the development of Taylorism and embryonic Fordism stimulated the first big wave of intensive accumulation.[2] But although productivity grew at the rate of six per cent per year, the growth of purchasing power remained limited. This scissors effect, which raised the rate of profit by raising the rate of exploitation, was not offset by a growth in capital intensity, and it provoked an unprecendented crisis. The crisis of the 1930s was more than a 'low point' in the business cycle. What it demonstrated was that the competitive mode of regulation — i.e. in particular, the system of setting wage-levels by individual or plant-level bargaining — was no longer adequate to sustain intensive accumulation. We can therefore characterise this crisis as both the first crisis of intensive accumulation and the last crisis of competitive regulation.

After the post-war reconstruction of Europe and the Korean war, the OECD countries underwent a new

[2] In this conceptualisation, there appear several typical regimes of accumulation, extensive and intensive, depending on the type of reproduction scheme employed in the allocation of capital between capital and consumption goods.

intensive expansion for 20 years during which productivity again increased considerably, as did fixed capital per head. But this time, the increase in the purchasing power of wage-earners (productive and unproductive) paralleled almost exactly the rise in productivity. In this 'golden age' of Fordism, two new conditions obtained in the developed countries up to the middle of the 1960s. Firstly, capital intensity grew at approximately the same rate as productivity in the production goods sector. This inhibited the tendency for capital intensity to increase. Secondly, the rates of growth of consumption of wage earners and of the productivity of the consumption goods sector were the same. Thus both the counter-tendencies to expansion, a falling rate of profit and under-consumption, were inhibited, and accumulation could therefore follow a regular rhythm.

This was assured by a mode of regulation, consolidated after 1945, which combined several institutional forms: a 'collective contractualisation' of the direct wage by national wage agreements and social security systems which established a guaranteed minimum wage, social security and unemployment insurance; important modifications in the relation between banks and industrial firms; and, most importantly, a modification in the role of the state. Through wage and currency management, and the control of state spending and receipts, the state was able to cut taxes and increase spending when business slackened. Each country experimented with and developed Fordism for its own purposes by increasing its internal market through an increase of purchasing power. The Fordist model of growth gives only secondary importance to international trade: the ratio of exports to internal markets in manufactured goods reached its lowest historical point towards 1965. Tendentially, the South was limited to the role of provider of manpower and raw materials, sources controlled essentially by the political and military hegemony of the USA. Internal trade developed at this time mainly within the northern continental blocs and within the OECD. These 'North-North' economic relations consisted essentially of a vast 'catching up' movement by Europe and Japan in relation to the USA. This process of differentiation/catching up constituted a regime of accumulation and a form of regulation. With a considerable lead in industrial productivity and manufactured value-added, the USA imposed its model of development, first culturally, then financially and institutionally.

At this time there was a temporary compatibility between a number of similar accumulation regimes, differentiated by their rates of growth and their modes of international insertion. The world economy would, however, never surpass this level of implicit organisation. There would never be institutional forms regulating world demand, nor any supranational sovereign authority regulating the money supply. The complementarities of the various national economies would remain partial and unstable, rendering any reference to a 'world regime of accumulation' a mere figure of speech.

From Slow Erosion to Manifest Crisis (1967-74)

If one characterises the crisis by the general slowing down of the growth of manufacturing production, causing a general and continuous rise in unemployment, and by a loss of regular growth, then one must perceive its clearest symptoms as early as the recession of 1967, affecting the most typically Fordist branches, such as automobile production [Boyer 1979]. This general crisis of manufacturing productivity must first be examined in the context of national regimes of accumulation, followed by a consideration of the amplifying effect of the interaction of these regimes.

The most convincing explanation of this phenomenon is the decline in the profitability of capital. As early as the middle 1960s, decreasing productivity gains necessitated an increase in the value of capital per head. But at this point, productivity gains no longer compensated for the increased volume of fixed capital per head. The 'mark-up' procedures characteristic of monopolistic regulation initially compensated for this by a nominal rise in profits which, however, provoked a general increase in prices and wages, and then an increase in the share of depreciation in the gross margin of reinvestment. Thus, rising corporate indebtedness and increased financial costs led to a crisis of investment capability in an inflationary environment.

Thus, in contrast to the overproduction crisis of 1930, the present crisis of intensive accumulation appears as a crisis of profitability. The institutional forms of monopolist regulation limit the 'depression spiral': increases in the indirect wage reduce the decrease in total purchasing power (in spite of the growth of unemployment), and the strength of the credit system permits the survival of firms which would have been reduced to bankruptcy under the gold standard banking system. The crisis thus assumes the form of a stagnation, not of a collapse of production, and coexists with inflation, not a collapse of prices.

The productivity slowdown cannot be identified with a lag in technological innovation, but can be more clearly explained by the failures of the Taylorist and Fordist principles of labour organisation. There is reason to believe that after 50 years this method of discipline and extraction of know-how has reached its limits (exemplified, for instance, by loss of time

between operations, and delays concentrated at the end of the production line). It is here that we rediscover the class struggle, at the root of the slowing down of productivity: the great victory of the employers during the 1920s had dissipated its own bounty. The years 1967-74 were the years of a workers' counter-offensive, superimposed on the employers' immobile 'social technology'. It remains to be understood, however, how this 'latent crisis' of Fordism — accumulating but not yet overwhelming — could degenerate into manifest recession. For this, both the international dimension, and governmental and employer reactions must be taken into account.

The growth of multinational firms in Europe and the generalisation of Fordist methods in Europe and Japan qualitatively and radically modified the international configuration from 1967 onwards: the level of productivity in Japan and Europe (particularly West Germany and France) converged on that of the USA to the point where wage cost per unit produced became higher in the USA. From this point onward, the US trade balance was in deficit. 'Xeno-dollars' could no longer be considered as representing a 'currency-commodity' (gold), or values-in-process (productive capital) indisputably validated at the international level, given the USA's declining competitiveness. The dollar started to float downward against all currencies as American capital lost its capacity for foreign investment. A trade war was launched between the three more or less equally competitive poles of the world economy. In this new 'tri-polar' configuration the phases of economic expansion and recession tended directly to echo and amplify each other.

The 1973 boom produced an extreme tension on the raw material markets and struck at US hegemony in the aftermath of the Indochina defeat. Meanwhile the Arab-Israeli war had given the oil-exporting countries the opportunity to recover control of the fixing of oil rents. Theoretically, this constituted only a shift in the ownership of a minimal share of world value-added. But in the developed countries, already menaced by recession, and where the latent crisis of Fordism was exacerbating tensions over the share-out of this value-added, this sudden deduction immediately provoked an inflationary flare-up. On the pretext of rising inflation, employers and governments attempted, by squeezing wages and restricting credit, to impose a decrease in the purchasing power of wage-earners. The first result obtained in this direction during 1974 produced a depression of world demand which, added to a catastrophic reduction of inventories, brought on the first great recession of the crisis.

From 1975 however, worker and union resistance everywhere choked off this first austerity offensive. In particular, the automatic stabilisers of the welfare state prevented a depressive spiral, guaranteeing the stability of consumption in spite of the growth of unemployment [Boyer 1982]. By 1975, there was a general recovery assisted by the fact that the oil deduction, financed by credit, actually multiplied effective world demand.

A Transitional Configuration: 1975-79

The first phase of the management of the crisis can be termed social-democratic. Among Germany and Scandinavia's social democrats, Britain's Labour Party, the US democrats and France's centrist government, the dominant idea was that Keynesianism remained valid. It was only necessary, by borrowing or by expanding world credit, to wait out the adjustment of supply to the shift of the world demand structure towards the capital goods and military equipment ordered by the OPEC countries.

At the national level, this policy was practised in a particularly effective manner by the Carter administration. At the cost of a discretionary currency increase, the US supplied the world with a credit currency whose validity was universally accepted, even though its international purchasing power was increasingly in question. This monetary laxity favoured domestic expansion in the USA, producing only moderate inflation because of a low import coefficient. The nominal decrease in the dollar's value relative to other currencies translated into a real devaluation of American costs, re-establishing the competitiveness too long compromised by overvaluation. Japan, too, successfully followed this policy, flooding the world market with Fordist-type manufactured products. But only these two poles were successful in this 'Keynesianism + devaluation' tactic, setting their industrial growth apart from that of Europe, the home of a different variant of Fordism. There, an obstacle blocked the implementation of the US/Japanese strategy: the perverse mechanics of 'austerity + internationalisation'.

Although more and more integrated and complementary at the industrial level, Europe remained fragmented into distinct nations, each of which had to watch its trade balance. In these conditions, devaluation loses much of its effectiveness since 'price-effects' have little impact, creating instead only reciprocal trade deficits. These deficits could only be redressed by imposing a strong form of protectionism: restrictions on wages austerity — 'competitive stagnation'. The different European countries thus found themselves, relative to one another, in a situation of 'competitive regulation', which quickly compromised the effectiveness of internal Keynesianism. Although this stagnation configuration

would soon become generalised, for the moment it enjoyed a more favourable environment, a 'world Keynesianism', whose most spectacular manifestion was the growth of peripheral Fordism.

The Fordism adopted by several newly industrialising countries (NICs) in the 1970s was only fully implemented at the level of the immediate labour process, and in a much more partial way at the level of the wage relation (i.e. Fordist consumption norms were rarely instituted). In such conditions, 'effective demand', the markets, can only be international. The NICs import the north's capital goods and sell it manufactured goods. Specifically, the OECD countries, plagued by low productivity gains and lagging investments, financed the NICs' imports on credit, thus permitting the expansion of an international credit currency (Xeno-dollars) based on the American credit currency. Through loans by the banks of the surplus countries, the NICs purchased capital goods on credit from the OECD, to be reimbursed by their sales of manufactured goods back to the northern and OPEC countries. Because of their low wage costs, high productivity and a world market expanding through the social democratic management of the crisis, it was reasonable for the NICs to assume that this was a viable option. In its embryonic stages, the strategy seemed to encounter miraculous conditions of implementation: the NICs achieved high growth rates, while their demand for northern capital goods more than compensated for the loss of jobs in the old industrial countries which was resulting from productivity gains in the consumer goods sector. The recycling towards the NICs of the 'monetization' of the American deficit caused by increased oil prices played, in a sense, the role of a 'forced Marshall plan' for the Third World, a mirror image of the beneficent US-Europe-Japan configuration of the 1950s.

One must insist, however, on the extreme brittleness of this private recycling, and of the periphery Fordist model itself. Extremely dependent on the evolution of world demand, it affects only a very limited number of countries of the South, while destabilising their internal structures. Under the weight of its contradictions, it collapsed by the end of the decade in Nigeria, Turkey, Iran, etc. In the north, because of the welfare state and Keynesian policies Fordism enjoyed a credit-based continuity. The crisis manifested itself there in the contrast between an 'abnormally' slow growth rate and increasingly rapid inflation: 'stagflation'. To maintain consumption in the face of slowed productivity growth and a shrinking industrial workforce, the costs of the welfare state had to be largely supported by firms, a burden reflected in plummeting profit shares. This, combined with the rise in the cost of fixed capital, forced capitalism to explore new arrangements for climbing out of the crisis.

Peripheral Fordism was one way, but more fundamentally, two great changes took shape in the wage relation. The first, a regressive change, consists in an undermining of the conditions of labour power production upheld by the permanent income ensured by the welfare state. Firms attempted to free themselves from their heavy contractual obligations to their employees: the 'hard core' of wage earners started to dwindle, while a world of non-status, temporary, part-time workers proliferated although the cost fell on the whole of the population and all firms through increased taxes.

Second, and more interesting, was a search for new sources of productivity. Through the technological revolution and the replacement of Taylorist principles, new norms for the organisation of labour began to be groped for as the basis for a future regime of accumulation. As the spectacular leap in Japanese productivity shows, it is not a question of 'catching up' or imitating a pre-existing model. Japanese capitalism overtook that of the USA by inventing a new, post-Fordist, method of transforming the manual and intellectual producers' ingenuity into productivity. But these seeds of the future could only grow in a favourable macroeconomic and social environment, which the monetarist shock did not provide.

A Needless Catastrophe: the monetarist shock

When the second oil shock occurred in 1979, increasing the price per barrel to $34, the vexing issue of oil rent was brutally reintroduced. A return to 1974 policies was inhibited by a growing scepticism among the world's êlites towards Fordism. Certainly objective constraints also modified the picture: trade deficits in France and the UK, accumulated public debt in the USA and an international centralisation of capital all reinforced the complementarity of these economies, limiting the scope for autonomous Keynesian policies at the national level. More fundamentally, the inherent shortcomings of this regime were now evident to world êlites. The security net of monopolistic regulation constrained the redirection of production and consumption towards new norms by the rigidity it conferred on the labour force and on the allocation of capital between sectors. Internationally, American currency was more and more questioned and continued to lose its international purchasing power.

The accession to hegemony of monetarist or simply less Keynesian coalitions, beginning with the victory of the Conservatives in Britain, and the nomination of Volker to the Federal Reserve Board in the USA,

reflected this avowal of impotence. By the simple effect of the vacuum, the ideas of liberalism reimposed themselves: the simple play of market forces would favour those firms implementing the processes of the future, eliminate the slag of the past and reconstitute the harmony of economic behaviours. By 1980, the change was quite clear: West Germany and France imposed on their wage earners a downward adjustment to the oil shock, decreasing industrial production by five per cent. Only Japan experienced a growth of 10 per cent, on wages permitted by its protectionism and the efficiency of its exporting sector. But even its growth would be broken by the third shock: the monetarist shock.

With the accession of Reagan to the presidency, the US joined Britain in the extreme monetarist camp. Cutting welfare spending and blocking the issue of credit, these two coalitions erased in their respective countries, within a few months, the growth of the previous five years. The ensuing chain reaction condemned all the other countries to abandon their social democratic management of the crisis — in effect it set off a chain of 'austerity-internationalisation' — and it also dried up the creation of international credit by erasing OPEC surpluses through the world recession it provoked. Credit became scarce and costly, world demand was quickly decreased: periphery Fordism found itself incapable of repaying its debts. By contrast to 1974, the real interest rate of the developing countries fell only slightly in 1979 and soared to 20 per cent in 1981 and 1982. By the time American administrators relaxed monetary constraints in July 1983, in face of the imminence of the bankruptcy of the NICs and the multiplication of bankruptcies in the main industrial countries, especially the USA, it was too late. In August, Mexico declared a suspension of payments, signalling a general insolvency, and bringing the world close to a financial crash. With the rescheduling of the Third World debt and the crude restoration of the old Keynesianism domestically through tax cuts and increased defence spending, a 'boom', largely based on household consumption, re-established American industry in one year (1983) to its 1979 level. The gigantic budget deficit was largely financed by the Federal Reserve while the considerable external deficit which resulted broke the recession in the OECD countries. But the effects of the monetarist shock were far from overcome: the NICs were unable to repay their debts, while the overvaluation of the dollar, based on American power as it was at the end of the 1960s, is liable to experience a new downfall like that of 1971. The recovery was a return to the 1970s, and extensive rationalisation in traditional industries did not clearly signal the possibility of a new growth period based on new technologies.

In Conclusion: two plausible resolutions of the crisis

While no global virtuous circle has yet emerged, we must reflect on the real effects of the 'electronics revolution', and understand the social relations which link technology to a model of development. Specifically, 'informatics' accomplish two major innovations. First, the possibility of the full-time use of machines: second, flexibility in these machine systems. The automated management of the workshop permits a leap forward in the fluidity of the production process, while the robotised workshop can adapt itself to a fluctuating demand, jumping from short production series to short production series by means of rapid reprogramming. Two pairs of options, or alternative lines of development, present themselves.

First, two possible lines of evolution present themselves in the post-Fordist reorganisation of the labour process. The automation of the management of the production process offers the temptation of pushing further the break between the theoretical conception of the process, and its implementation by the workforce, who become a mere flesh-and-blood element in the otherwise automated process. This is the road chosen by the majority of US firms and some European ones. By contrast, Japanese firms and certain European ones, have sought to mobilise the practical know-how of operators in real time in the actual automation process. This 'crossroads' is the scene of a tremendous social conflict, in which what is at stake is the negotiation of a new social compromise concerning the involvement of the workers and the apportionment of the new productivity gains.

The second pair of options is presented by the question of who will be served by these productivity gains. Despite its initial costs, the flexibility of the automated workshop makes possible the profitability of large investments through a succession of short production runs tailored for a well-off clientele. Without an increase in mass consumption, these productivity gains will bring about the growth of unemployment and the risk of a division of society into three parts: a dominant class benefiting from the new gadgets of the electronics revolution, a stable but limited core of permanent wage-earners, and a growing mass of insecure workers under a weakened social security system, gaining transitory employment in the tertiary sector during short-term recoveries. Such seems to be the road being followed in the USA. The other road consists of a new apportionment of productivity gains through a massive reduction of working time, allowing mass access to new consumption goods requiring consumption time. Such a model may not be competitive in terms of hourly wage costs relative to a model grounded on the intensification of labour

without any reapportionment of productivity gains. Again, two roads are open. One is an unending struggle for hegemony or trade balance equilibrium through competitive stagnation, producing permanent trade war and stop and go cycles to the drum-beat of the hegemonic power. Alternatively, international institutional forms will be established, permitting in optimal circumstances, the joint adoption by the interested parties of a variant of the second model (i.e., agreements on international norms concerning working hours, etc.).

Concretely, the way in which the Third World's indebtedness is resolved will offer decisive pointers to the future. Jack London's prophecies in the *Iron Heel* have come close to being illustrated at the level of international relations: the IMF has imposed an 'adjustment' of the NICs' regime of accumulation towards greater exports, in fact an 'austerity' programme deepening the divisions and poverty of the countries of the South, maintaining them in the role of a sweatshop committed to the production of popular intermediary or Fordist goods.

The other alternative implies the *de facto* cancellation of Third World debt, whether by 'balancing it out' or by 'consolidating' it. The free issue and distribution of international currency would then permit the recovery of the periphery Fordist countries under a more autonomous, auto-centred regime of accumulation.

Thus, without even mentioning a non-capitalist (or apocalyptic) resolution of the crisis, two roads are open, for each question: a repressive way of a new type, or a social-democratic way of a new type. Is it necessary to recall that during the 1930s, Nazism and the New Deal also offered two solutions to the crisis? And that it took strikes, revolts, a war, and tremendous social upheavals on the planet for a variant of the second way to be established?

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