

4. The New Core-Periphery Relations: the Contrasting Examples of Europe and America¹

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Since the beginning of the 1980s, 'Fordism', the dominant model of development in the post war period, has clearly broken down. The developed countries have looked at various ways to construct an alternative. Some have preferred 'flexibility', others 'mobilisation of human resources'. At the same time, the newly industrialised countries have increased their competitiveness and have become more differentiated. This has resulted in a vast reordering in the world economic hierarchy.

Another tendency which has been revealed with growing force is the concentration of international economic relations into continental blocs (Europe, America, Asia). Asia is certainly the most varied, most dynamic and most fascinating bloc, nevertheless at the present moment the two blocs bordering the Atlantic remain the most important. Further, their economic relations are more codified. Europe (with the European Union and the European Free Trade Association) has a thirty five year lead and its institutional apparatus is already highly elaborated. The Americas and in particular North America (with the North American Free Trade Agreement) are moving in the same direction.

The two blocs have in common the heterogeneity of the economies which they unify. It is precisely the *coexistence of countries with different wage regimes within an integrated continental bloc* which is the subject of this article. The emphasis will of necessity be on Europe, and North America will be used as point of comparison.

In the first section the different ways the dominant countries have attempted to escape from the crisis of Fordism is considered. Next the analysis is enlarged to include the other countries of the South and the East. Then in a third section the hypothesis of a new international division of labour (the third!) is outlined. Finally the fourth and fifth sections return to the contrasting examples of Europe and North America.

The central crisis of Fordism and the way out of it

Throughout the post World War II period, two models of development were proposed to the developing countries: the western model and the 'socialist' model. This latter has now recognised its complete failure, and the various countries which claimed allegiance to it have abruptly rallied to some kind of capitalist model. At the same time capitalism in the North West of the world was experiencing its Golden Age. The development model of the Golden Age (which is here called 'Fordism') has been in a state of crisis during the 1970s and 1980s, but no one thinks of it as being 'the final crisis of capitalism'. On the contrary many reforms have been proposed for this model, and at the end of the 1980s these reforms seem to have come together to give more or less promising results. We can conclude that the future of Fordism and the ways out of its crisis will once again determine the future of capital labour relations throughout the world. Hence the decision to start with Fordism, its crisis and the ways out of it, and to then extend these considerations to the South and the East.

The rise and fall of the Golden Age²

First a brief reminder of what Fordism is. As with any model of economic development it can be analysed on three levels:

- As the general principle for the organisation of labour (or 'industrial paradigm'), Fordism is Taylorism plus mechanisation. Taylorism implies a strict separation between on the one hand the conception of the production process, which is the task of the Organisation and Methods Office, and on the other hand the execution on the shopfloor of standardised and formerly defined tasks. Mechanisation is the way that the collective knowledge of the methods office is incorporated into the material apparatus (both the hardware and the software). According to this principle, the involvement of the workers is considered to be unnecessary in carrying out the Methods Office's orders.

- In so far as it is a macroeconomic structure (or regime of accumulation, or social structure of accumulation), Fordism implied that the productivity gains resulting from these organisational principles were matched by on the one hand a growth of investment financed out of profits and on the other hand a growth in the purchasing power of workers wages. The result was that the share of wages and salaries in value added and the capital coefficient (in value terms) remained more or less constant. Hence the rate of profit was also roughly stable, and the demand for consumer goods and investment goods grew in line with productivity.
- In so far as it is a system of rules of the game (or as a mode of regulation), Fordism implied long term contractual wage relations, with strict limits on redundancies, and a programming of the growth of wages indexed on prices and the general growth of productivity. What is more, a vast socialisation of incomes through the Welfare State assured a guaranteed income for wage earners. The other side of the coin was the acceptance by the unions of management prerogatives. In this way both the principles of the labour process organisation as well as the macroeconomic structure were respected.

The success of the Golden Age model was thus wage-led in the internal market of each advanced capitalist country. There were only limited external constraints because of the limited importance of the growth of international trade relative to the growth of the internal markets, and because of the hegemony of the United States. Nevertheless, at the end of the 1960s, the stability of the Golden Age growth path was beginning to be questioned. The first and the most obvious reason appeared on the 'demand side'. There was little competitive difference between the United States, Europe and Japan. The search for economies of scale resulted in an internationalisation of production and of markets. The growth in the price of raw materials imported from the South (in particular oil) stirred up competition in export markets at the beginning of the 1970s. The regulation of the growth of the internal market through the wage policy was compromised by the need to balance external trade. Faced with this 'demand side' crisis, the first reaction of the international elites was clearly Keynesian. The main plan was to coordinate the maintenance of world demand, via the OECD, the International Monetary Fund, the Trilateral Commission, the Summits of the Big Seven, *etc.*. This was very clearly the line taken by the first Summit at Rambouillet in 1975. It has since been

noted that the policies actually carried out were sub-optimal from the point of view of demand.³ But at least it was understood by everyone that it was necessary to be concerned with effective demand. In fact the growth of real wages slowed spectacularly, more and more firms moved their enterprises to non-unionised zones, or subcontracted in third world countries, but the basic structures of the existing mode of regulation were maintained in the advanced capitalist countries.

However, at the end of the 1970s, there was a change in the state of mind of the international elites of the capitalist world. The management of the crisis by demand side policies had certainly avoided a depression. But a major limitation appeared: the fall in profitability. This was due to a number of 'supply side' reasons: the slowdown in productivity growth, the growth in the total price of labour (including the indirect wages of the Welfare State), growth in the capital-output ratio and growth in the relative price of raw materials. In these conditions the Keynesian recipes, such as the growth in real wages (however limited it might have been) and lax monetary policy, could only lead to inflation and the erosion of the value of monetary reserves, in particular the international money - the dollar (Lipietz 1983). Hence the turn to 'supply side policies', that is to say towards 'labour relations', a sphere which has certain aspects in common with the industrial paradigm and the mode of regulation.

Even within the theoretical framework used here, the supply side problems encountered by Fordism can be interpreted in two different ways. In the first, following the tradition going back to Kalecki, the growth in the relative price of labour and raw materials is considered to be the result of the long boom of the Golden Age. The profit squeeze was the result of the preceding expansion and of full employment. Furthermore, the Welfare State had spectacularly reduced the cost of job loss (Bowles 1985), which could also explain the slowdown in the growth of productivity.

We will return to a complementary explanation, but the fact is, that at the end of the 1970s, the profit squeeze analysis had become the official explanation. Profits were too low because workers (and raw materials exporters) were too powerful. This in turn was because the rules of the game were too 'rigid', which led to difficulties in the restructuring of the productive apparatus and the risk of failing to take advantage of the opportunities offered by the technological revolution. Such was the analysis of the 1980 Big Seven Summit in Venice, after the second oil shock. This proclaimed that the 'first priority' was to combat inflation (rather than unemployment). This was to be done by increasing productivity and

redistributing capital from the declining sectors to the growth sectors, from the public sector to the private sector, and from consumption to investment. They undertook to 'avoid measures protecting particular interests from the severity of the adjustment'. In other words, the 'rigid' social compromises were to be repudiated.

This policy of 'liberal flexibility' was carried out by the British and then the US governments, and was finally followed by most of the OECD countries including the French Socialist-Communist government. The renunciation of the social compromise was carried out to different extents and conducted on different fronts - from the rules concerning wage increases (inflation plus productivity) to the extent and depth of social provision, from the liberalisation of redundancy procedures to the proliferation of precarious employment. This process was carried out in an authoritarian manner (governments and management grasped the opportunities provided by the defeats of the trade unions and the political successes of conservative parties) or as a result of negotiations between capital and labour in a context of a rising cost of job loss (for the workers). After a first period of recession at the beginning of the 1980s, there was a recovery starting in 1983. However this upturn was largely the result of a return to Keynesian budgetary policies (Lipietz 1985a, 1992) and it is difficult to affirm that it was solely the result of the liberal policies of flexibility. Moreover the experience of the 1980s did not favour the most serious attempts at flexibility - the United States, United Kingdom and France. On the contrary these countries have experienced both deindustrialisation and a worsening of the balance of trade in manufactured goods. At the end of the 1980s, the winners in the competitive struggle (Japan, West Germany, the European Free Trade Association) appeared to be characterised by other solutions to the supply crisis.

Returning to 'the supply side' explanation of the crisis of Fordism, an alternative to 'the full employment profit squeeze' theory, or rather a complementary explanation insists on a reduction in the efficiency of Taylorist principles. Full employment can explain the fall in the rate of profit at the end of the 1960s, but not the continuation of this tendency, with a growing capital coefficient, in the following years. More importantly, the elimination of all involvement of shopfloor workers in the tuning of the production process now seems to be of limited value. It is a good method for ensuring that management has control over the intensity of labour. But greater 'responsible autonomy' of shopfloor workers can

lead to a superior organisational principle, especially when it is a case of setting in motion new technologies, or 'just-in-time' management of production flows, which requires the involvement of the intelligence of shopfloor workers and their willing cooperation with management and engineers.⁴ This was precisely the alternative way chosen by numerous large companies in Japan, Germany and Scandinavia. There, pressure from the unions and organisational traditions led to the choice of the *solution by negotiated involvement* to the crisis of Fordism (Mahon 1987).

At the end of the 1980s the superiority of this choice is being more and more recognised, not only among this second group of countries, but also in books on management and in the press. Certainly, the international competitive success of this second group has played an important role in this evolution of ideas, but the difficulties encountered in the setting up of the new technologies in the context of liberal flexibility have also encouraged a change in management style. However it seems possible that liberal flexibility and negotiated involvement are policies that could be combined *à la carte*. This idea is the basis of a conception of 'post Fordism' as 'flexible specialisation' as found in Piore and Sabel (1984). The mutual coherence of these ideas will now be looked at.

*After Fordism, what?*⁵

The overview of recent economic history which has just been carried out can be summarised as follows:

- Initially great importance was attached to the demand side. Then this problem was forgotten, as if it had become without interest because internationalisation had made demand impossible to control, or because the boom of the second half of the 1980s had made it unnecessary to support demand.
- The development of two doctrines concerning the supply side: *liberal flexibility* and *negotiated involvement*.

The first question will be returned to when the macroeconomic coherence of labour relations at the level of continental blocs is considered, for the moment we will just consider the supply side.

In fact, the two doctrines for getting out of the supply crisis can be considered as two escape routes related to the two characteristics of Fordist labour relations. On the one hand the rigidity of the wage contract; on the other Taylorism as a form of direct management control over the activity

of workers (see Figure 4.1). The first doctrine proposes an evolution from 'rigidity' towards 'flexibility' in the employment contract, and the second an evolution from 'direct control' towards 'responsible autonomy'. Using a different vocabulary, the first axis refers to the 'external labour market', to the link between the firms and the labour looking for work and wages. The second axis refers to the 'internal market', to the form of organisation of cooperation/hierarchy within firms.⁶ On this axis as opposed to Taylorism we could speak of *Ohnism*, in recognition of the role played by the theoretician of the Japanese methods of production developed in particular by Toyota (Coriat 1992). On the first 'external' axis both rigidity and flexibility have many dimensions, as has already been remarked. The rules of the game may include the rules about the way direct wages are formed, the rules on hiring and firing, the rules on the allocation of the indirect wage - the external market is a more or less organised one. The axis is thus a synthetic axis. Moreover, the rules can be established at various levels - the individual, the firm, the sector, or society as a whole.

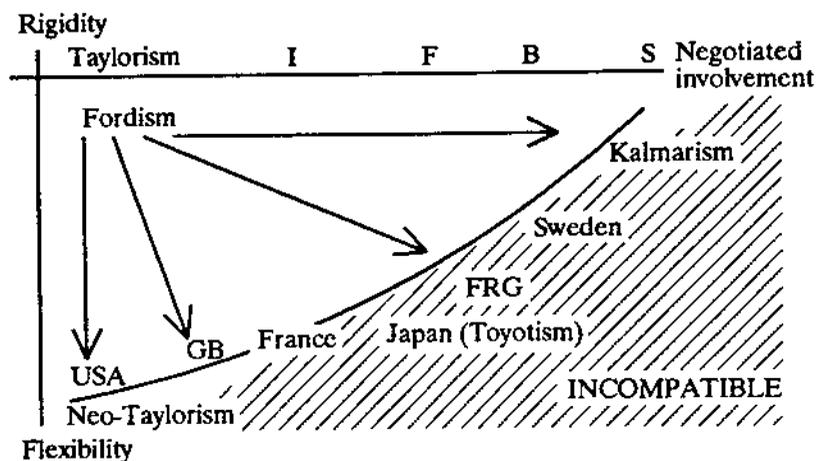


Figure 4.1 Evolution of post-Fordism: the advanced capitalist countries

On the second 'internal' axis, there are also many dimensions: 'involvement' may signify qualification, cooperation between workers, participation in the definition and monitoring of tasks *etc.*⁷ Here again it is a case of a synthetic axis. But this time, for reasons which will become apparent, it

is necessary to take into account the level of the negotiation about the involvement of the workers:

- The involvement can be negotiated *individually* and satisfied by, for example, bonuses or promotion systems. This option is limited though by the *collective* nature of the involvement required in most of the processes of cooperative production. Also the individually negotiated involvement (I in Figure 4.1) can be extended to a team or a workshop. This remains compatible with a flexible work contract.
- The involvement can be negotiated *firm by firm*, between management and unions (F in Figure 4.1). Here the firm and its labour force share the rewards of specific skills accumulated over the course of a collective learning process. This implies an external rigidity of the wage contract, that is limits on the right to fire workers already in the firm, but this compromise clearly does not include workers outside the firm.
- The involvement can be negotiated *at the industry level* (B in Figure 4.1), this limits the risk to firms of competition through 'social dumping', and encourages them to set up communal institutions for training *etc.*. As a consequence the external labour market is likely to be more organised, and in general more rigid and with a greater socialisation of labour income.
- The involvement can be negotiated *at the level of society as a whole* (S in Figure 4.1), with the unions and the employers organisations negotiating the social orientation and the sharing of production at the regional or national⁸ level, it being understood that the unions will ensure that 'their people' will do their best on the shopfloor or in the office. Here the external labour market is likely to be at least as well organised as in the more corporatist or social-democratic forms of Fordism.

On the other hand, the collective involvement of workers can only occur if firms and the workforce share common aims, in a context of external flexibility at whatever level (individual firms, industry or territory). Thus the limit of the consistency between flexibility and involvement appears as a curve joining the two axes; outside the curve is an excluded triangular region of inconsistency, where flexibility and negotiated collective involvement coexist.⁹ The two axes themselves constitute the privileged lines of evolution, that is to say two real paradigms (see Figure 4.1):

- External flexibility associated with direct hierarchical control. This leads to some kind of Taylorist form of organisation of the labour process, without the social counterparts of Golden Age Fordism. We call this paradigm 'neo-Taylorism'.
- External rigidity of the work contract associated with the negotiated involvement of the producers. We call this paradigm 'Kalmarist', in honour of the first car factory (Volvo) reorganised following these principles in a social-democratic country - Sweden. This factory is closed today; we will see why later.

The recent experience of the OECD countries can be analysed as follows. They appear to lie on a curve, with the USA and Great Britain preferring flexibility and ignoring involvement, some countries such as France introducing individually negotiated involvement, Japan practising negotiated involvement at the level of the (large) firm, Germany carrying it out at the industry level, and Sweden finding itself closest to the Kalmarian axis. What then is the attractive power of these axes? The experience of the United States shows that it is difficult to negotiate involvement at the level of the firm in a flexible liberal context, however individually negotiated involvement can be carried out there. Towards the other extreme West Germany appears to have a less socially advanced form of the Kalmarian paradigm. Japan appears to occupy an intermediate position which could be called 'Toyotism', with a strong duality (rigid-flexible) in its external labour market.¹⁰ This point will be returned to when the global coherence of the paradigms is considered. But first let us glance at the non-OECD countries.

The South and the East: towards which post-Fordism?

While the East had developed completely original forms of labour relations (self designated as being 'socialist', though not all would agree with this), the South could be described as the group of countries who had not succeeded in imitating either the Western or the Eastern model.

In the 1960s it was widely thought that the most rapid route of development for the South was the Eastern one. This followed from two kinds of consideration:

- The East was already an example of accelerated growth, at the time more rapid even than in the Fordist countries. The Stalinist Soviet

Union could then be considered as an ex-underdeveloped country which had succeeded thanks to its superior mode of regulation.

- The West itself seemed to be opposed to the industrialisation of the South. Not only had the colonial system been explicitly based on an 'international division of labour', with the South being allocated the production of primary products, but also the automatic dynamics of free trade reproduced the same division of labour in the neo-colonial relations existing after independence. This fact had been theorised in a positive form in Ricardo's theory of comparative advantage, it was now theorised in a negative way under the title of 'dependency theory'.

Since then heterodox models (that is to say including certain features of the Eastern model) have appeared to be the way for the South to catch up with the West, even among the non-socialist countries. In fact counter examples already existed such as Finland which was a part of the old Russian Empire which had become a Fordist social democracy. But it was the success of the Newly Developing Countries, which contrasted with the lack of success of the peripheral (or even central socialist countries), which led to the change in the general appreciation, rather than Rostovian rhetoric. It is thus appropriate to start the analysis with Eastern Europe.

The rise and fall of the Iron Age

The Stalinist Soviet Union adopted its own model of development which could be called the 'Iron Age' model, contrasting it with the Fordist Golden Age model:

- The Taylorist industrial paradigm was explicitly imported into revolutionary Russia by Lenin.
- The accumulation regime was based on an extensive accumulation of the productive forces, through import substitution, and without any major growth in mass consumption.
- The rules of coordination (or mode of regulation) were based on centralised planning, and that was the 'socialist' aspect. The idea (among stalinist economists) was that it was 'the anarchy of the market' which was the bad aspect of capitalism. With more 'organisation' and 'hierarchy' Taylorist rationality spread throughout society.

Certainly it was a very efficient model in a Lewis-type situation (that is to say with an immense peasant reserve army). They thought that

Taylorism was well adapted to putting to work new unskilled workers. Extensive accumulation has no great need for flexibility, and it increases average productivity in the economy as industrialised and mechanised production replaces pre-industrial forms. With slowly growing real wages an enormous surplus could be accumulated. The centralised organisation of demand eliminated the demand constraint, but with the risk of the appearance of a 'supply side constraint' (Kornai 1979). As for the labour relations, their initial harshness was progressively stabilised into an acceptable compromise (according to the standards of the 1950s). In exchange for its Taylorist subordination, the industrial and tertiary labour force had virtual security of employment. This combination (Taylorism plus tenure) was the 'cousin' of the Fordist one, hence their similarity and their competition in the 1950s.

However new problems came to the surface when the Lewisian reserve army of labour was used up, or had never existed (as in Czechoslovakia and the German Democratic Republic). As Köllö (1990) has shown, the impossibility of organising inter-firm relations to the same extent as the relations within firms resulted in bottlenecks and waste. In return, the anarchy in social planning was reflected in the disorganisation of the firms. The involvement of the workers was discouraged by the erosion of revolutionary ideals, by the anarchy of industrial relations, and by the lack of any kind of incentive, be it negative (cost of job loss) or positive (access to higher levels of consumption). The compromise of 'job security (or tenure) plus low wages' was thus completely stagnationist.

However different it might be from Fordism, the 'socialist' paradigm of the Iron Age also finally resulted in a 'supply side' crisis. The main differences were the following:

- there was no demand side crisis;
- socialist 'tenure' was far more rigid than Fordism;
- the rigidity also included all other aspects of industrial organisation;
- the non-involvement of the workers seemed to be more the result of management incompetence than excesses of Taylorist 'scientific management'.

It became obvious that the Eastern mode of regulation needed more flexibility in its economic organisation. Hence the common choice of East European reformers in favour of autonomy in the management of firms. But the first bit of freedom claimed by the firms is the freedom to adjust

their labour force to match their needs, given the potential productivity of existing installations and social demand. Very quickly liberal flexibility in the labour relations – that is external flexibility and the end of socialist tenure – seemed to be a panacea. Ten years after the West, all the ex-socialist countries (except, in 1994, Cuba and North Korea) rushed to embrace this new panacea, forgetting the other side of the problem: the internal organisation of the labour process.

How can this situation be depicted in the figure? On the vertical axis 'tenure' can be represented as 'excess rigidity'. But on the internal axis (organisation) the situation is less clear. The trade-off is less between 'direct control' and 'responsible autonomy' than between 'inefficient control' and 'irresponsible autonomy'. In the East the shopfloor worker has a degree of autonomy, due either to a revolutionary tradition or an industrial tradition (East Germany and Czechoslovakia), and in any case as a result of the inability of management to scientifically organise any direct control. On the synthetic axis this position could be placed between 'negotiated involvement at the firm level' and 'negotiated involvement at the industry level', since as Köllö has shown, the negotiation of a compromise requires participation of the Ministry for the sector, the directors of the firm and the workers. From this point of departure (shown in Figure 4.2) the movement will certainly be downwards, that is to say towards greater flexibility in the wage contract. But after abandoning the tenure compromise will the workers be able to negotiate some kind of social-democratic type Fordism, or will they be obliged or persuaded to accept the panacea of 'liberal flexibility'? This remains an open question at this level of our analysis and at this stage of the historical process.

The situation on the horizontal axis is also an open one. The main tendency of the new 'autonomous' direction of firms will certainly be to implement a full system based on Taylorist principles, especially in the less developed countries (Poland, Hungary, Romania, and most of the Soviet Union). But they will encounter strong resistance from skilled workers, especially in the areas influenced by the West German and Scandinavian examples of the Kalmarist paradigm (the ex-German Democratic Republic and the Czech Republic).

To summarise this first discussion, in response to the challenge of the crisis in their supply side industrial paradigm, the countries of the East will attempt to eliminate the most obvious problem, that of rigidity. This will mean the end of the tenure system in their labour relations. Since Taylorist principles have not yet reached their limits, because they were never fully

many traces of the Soviet model visible in its history since independence. The State's policy of import substitution encouraged the development of a large tertiary and industrial sector oriented towards the internal market, where the workers benefited from the tenure principle (sector I following Mohan Rao 1990). These workers were less involved than in the socialist countries, and yet they were not exactly Taylorised. The big difference with China is a permanent flux of primitive Taylorisation of workers excluded from pre-capitalist relations or integrated into capitalist relations through some kind of putting-out system – sector II following Mohan Rao (1990). So a second archipelago of industrial wage relations appeared in rural India. For historical and cultural reasons, Taylorisation has not attained the absolute level of direct control of a Methods Office (which hardly exists). In Figure 4.2, this process is represented by an arrow entering the capital-labour diagram at the bottom right. The liberal economic trend of the 1980s will probably push the labour relations in India towards the classic form of primitive Taylorisation. With the opening of the market to international competition, sector II will be led to adopt deeper forms of direct control without any noticeable increase in real wages or improvements in social legislation. The tenure principal will have to be abandoned in sector I, however it is possible that the privileged fraction of the labour force will be able to negotiate a limited liberal flexibility and social benefits of the Fordist type in exchange for the rationalisation of the labour process.

This Indian model is extremely interesting, because it is a caricature of a certain evolution in the Latin American countries of the 'Economic Commission for Latin America (ECLA)' type, that is to say the evolution which reflects the theoretical ideas of the ECLA which combine:

- the construction, based on import substitution, of a modern industrial sector, often under the guidance of a populist state;
- the existence of an agricultural sector with more or less antiquated social relations which leads to a continuous flow of labour from the countryside; this is found in different forms, from Mexico to Argentina;
- a 'sector I' where a relatively 'rigid' labour aristocracy had a brutal flexibilisation imposed upon it and a 'rationalisation' (in fact a Taylorisation) of the organisation of work;
- a 'sector II' of peasant origin which has become urbanised and joined the industrial and tertiary workforce, either as a result of the chaotic

process of the formation of an informal sector or by direct entry into Taylorised firms with flexible wage contracts.

This new type of peripheral industrialisation (relative to the Indian, Chinese or ECLA models of import substitution) will now be looked at in its own right.

The Newly Industrialised Countries: where are they going?

The 1970s witnessed the appearance of the Newly Industrialised Countries (NICs). Brazil and South Korea are the most important examples. Certain aspects of their development models have been examined elsewhere under the rubric of 'primitive Taylorisation' and 'peripheral Fordism' (Lipietz, 1985a):

- *Primitive (or bloodthirsty) Taylorisation.* This concept is concerned with the relocation of limited sections of industries to the social formations with very high rates of exploitation (as concerns both wages and the length and intensity of work *etc.*), the output being in general exported to the more advanced countries. In the 1960s the free zones and the workshop-states of Asia were the best illustration of this strategy, which is expanding today. Two characteristics of this regime should be noted. First the work in general follows Taylorist principles, but there is relatively little mechanisation. The technical composition of capital in these firms is particularly low. This strategy thus avoids having to import investment goods, which is one of the inconveniences of the import substitution strategy. Another aspect is that since it mobilises a largely female workforce, it incorporates all the knowledge gained from domestic patriarchal exploitation. Secondly this strategy is 'bloodthirsty' in the sense that Marx talked of the 'bloodthirsty legislation' on the eve of English capitalism. To the ancestral oppression of women, it adds all the modern arms of anti-worker repression (official unions, a lack of social rights, imprisonment and torture of opponents).

- *Peripheral Fordism.* Like Fordism it is based on the combination of intensive accumulation and the growth of final markets. But it remains peripheral in the sense that in the world wide circuit of the industries, skilled labour (especially in engineering) remains to a large extent external to these countries. Further, the outlets follow a particular combination of local consumption by the middle classes, a growing consumption of durable goods by the workers and low priced exports to the core capitalisms.

Take the two examples of Brasil and South Korea. Brazil started its industrialisation earlier and with greater success than India. Agricultural reform was just as limited as it was in India, the supply of the reserve army of labour was Lewisian and, since the Vargas period (during the Second World War), a policy of import substitution led by the state was put in place in the urban sector by the national capital. This was combined with corporatist social legislation (not that different from Fordist principles). However there were two major developments which made a difference. First the developmentist state while protecting its internal market from imports did not hesitate, under Jocelino Kubitschek, to open the doors to capital, and its technology, from the 'North West of the World'. Next the 1964 military takeover suppressed the social advantages of the Vargas legislation (precisely out of fear of union power under the presidency of Goulart). As a result the 'scientific organisation of work' developed without any limit other than technological dependence, and the bloody repression of the unions offered capital a 'flexible' labour force. At the end of the 1960s and the beginning of the 1970s Brazil developed a very competitive industry, completed its import substitution and developed its industrial exports.

This led to primitive Taylorisation. However Brazil did not clearly follow a simple strategy of import substitution. The investment goods were mainly paid for by the export of primary products and by borrowing. The benefits of primitive Taylorisation were reinvested in the development of a dualist peripheral Fordism. A fraction of the population – the new middle class – set themselves up with a quasi Fordist life style. The workers benefited in the second half of the 1970s from the productivity growth resulting from the mechanisation and rationalisation. This fraction comprised the major part of the 'formal sector' (Amadeo and Camargo, 1990), not *all* of it, but still the major part of the working class, which at the end of the 1970s had regained some of the advantages guaranteed by the Vargas legislation. But on the other hand there was a large section of workers who remained excluded from the benefits of the Brazilian miracle – the 'Lewisian' ex-peasants, the informal workers and the badly paid formal workers in small firms.

In the 1980s the debt crisis blew up, followed by a movement towards democracy. The resulting evolution is fairly complex. On one side the democratisation increased the negotiating power of the workers and their legal guarantees, but on the other side high inflation reduced their ability to control the evolution of their real wages. Distributional conflicts were

at the forefront of industrial conflicts. Labour relations could not stabilise in this permanent storm involving the marginalised Lewisian reserve army, the informal sector and the different levels of the formal sector. In this chaotic situation there are three possibilities for the future of Brazil. A return to primitive Taylorisation, a consolidation of peripheral Fordism, and even an evolution towards Fordism with local Kalmarist aspects.

In comparison the 1985–87 revolution in South Korea inherited a much better situation. At the base of everything is the agrarian reform of the 1950s followed by income support for peasants. Primitive Taylorisation in Korea was not under the pressure of a Lewisian reserve army. All the labour force was hired with a flexible work contract, but was formally hired. Moreover the state was careful to painstakingly plan export capacity to ensure that debt could be repaid. Women were terribly over exploited, especially in the export sector, but workers family incomes grew throughout the 1970s and accelerated in the 1980s, with the result that Korea saw a transition from primitive Taylorisation to peripheral Fordism. Moreover among the male working class enterprise consciousness developed in such a way that it could lead to the copying of certain aspects of the Japanese form of negotiated involvement at the enterprise level (You 1990).

The democratisation process will probably encourage these tendencies, since there is no longer any debt constraint, though there is still a competitiveness constraint. Korea could evolve towards a form less and less peripheral to the centres of Toyotism.

Towards a third international division of labour

We are not going to continue the discussion of the stability (macroeconomic, sociopolitical or ecological) of the different national models of the evolution of the capital labour relations.¹¹ We are going rather to discuss the possibility of the coexistence of nations with different models in a world which is more and more internationalised (that is to say where geographic, legal, tariff or cultural barriers are becoming less of a hindrance to the free circulation of technical knowledge, capital and goods).

This is a question which concerns the theory (or rather theories) of international trade. But the theory of international trade is particularly handicapped today by its assumptions which correspond more to a past reality. It is either assumed (with Adam Smith and the Marxist-dependency tradition) that there exists *one* best way to produce each commodity, and

that this best way must in the end dominate, to the benefit of the country which has the knowledge – the theory of absolute advantage. Or it is assumed that there is a curve of production possibilities which combines the factors of production within a unique technological paradigm. In this case there is a division of labour based on the initial endowment of the different factors – the Ricardian theory of comparative advantage. This international division of labour must gradually disappear as the barriers to the international mobility of the factors fall.

Today we have precisely the situation where the 'factors' capital and labour are completely mobile,¹² but where the way they are combined (technological paradigm, labour relations) is different from one country to another. This situation is significantly different from previous periods when the hegemonic model dominated.

The two first international divisions of labour

The 'first international division of labour' which existed practically up to the 1960s shows the pertinence of Adam Smith's intuition. As soon as certain goods become the objects of international trade, their production tends to be concentrated in places where the conditions of production are favourable or are mastered (natural conditions such as climate or cultural conditions such as social organisation or knowledge). This concentration becomes in its turn relatively stable because economies of scale protect the old centres of production against new ones. New centres can only appear under the protection of a 'natural' monopoly such as distance or an artificial one such as the protection of 'infant industries'.

From the time that manufacturing, and more importantly heavy industry, started up in England, the major part of world manufacturing production was concentrated in that country, and in a few others who, with varying amounts of protectionism, were able to adopt the same industrial paradigm. Other countries could only enter world trade by doing 'something else', that is making *other products* and specialising in industries where they also had an *absolute advantage* (most often geographic) over England. The first international division of labour (manufacturing exports/primary goods, agricultural or mining exports) is thus an *inter-industry* one.¹³

Ricardo's explanation of the trade of English textiles and Portuguese wine, which he claimed was based on comparative advantage, is more apologetic than accurate. In fact Portuguese wine outclassed absolutely English wine (and there was no great merit in this), and English industrial textiles equally absolutely outclassed Portuguese artisanal textiles. Even the

relative failure of import substitution models in the 1960s, be they Soviet or ECLA models, can be explained by the theory of absolute advantage. Neither the Soviet Union nor Argentina have become major exporters of manufactured goods, because the Fordist model has turned out to be more competitive even with wage levels which over time have become much higher.

In the NICs primitive Taylorisation and above all peripheral Fordism appeared nevertheless in a new international configuration. Now a technological paradigm appeared to be partially transferable, and at little cost, from one country to another, so that the least skilled and the least mechanised sections of the Fordist labour process can be localised much more competitively in low cost regions or countries. Is this the revenge of the Ricardian theory of comparative advantage? Far from it.

a) Firstly it is not a question of comparative advantages between endowments peculiar to each industry, but differences in the cost of factors of production for different segments of the production process within a single industry, or at the very least between the successive stages of production of a single product, organised within a single technological paradigm. The Fordist division of labour can in effect be schematised into three kinds of task:

- conception, engineering and organisation of work;
- skilled fabrication (in particular of machines); and
- unskilled fabrication or assembly (or more generally routine tasks including services).

To put it in another way, the standardised procedures typical of Fordist mass production allow there to be a geographical disconnection between these three kinds of task, from which it is 'natural' to localise these tasks where the corresponding labour exists at the best quality-cost relation. Research centres are not set up in places where there are no engineers; it is worth while setting up routine production where qualified labour is cheapest. It is a question therefore of *absolute advantage in the division of labour within an industry*. Primitive Taylorisation therefore corresponds to the localisation of sections of type 3 in very low wage countries; peripheral Fordism to the localisation of sections 3 and 2 in countries with low wages but already having a supply of skilled workers and more developed technical capabilities. This is the 'economistic' schema of the second international division of labour.

b) The reality of the dynamism of the NICs cannot be reduced to this economic schema of relative labour costs however. Firstly, industrial organisation, transport costs and the localisation of markets is *important*. Activities of type 3 and 2 cannot be localised anywhere. There must be a certain local balance between the skills on the labour market, the industrial fabric and the structure of local demand. The schema of the Free Zones of Asia, or of the 'maquiladoras' of the northern Mexico border, where some links of a productive process are relocated to 'the South' (where wages are very low) to serve the final markets of 'the North' (where the demand is more affluent) in fact corresponds to only a very small part of world manufacturing production. Above all, and still keeping to the supply side, the discriminating factor (in this case labour) is a social construction. If it was simply sufficient for labour to be abundant ('Lewisian'), then all the countries of the Third World would have become NICs. Labour also needs to be free from other constraints (rural, family, religious), to be unorganised as a result of repression or tradition (female labour) and moreover to be used to industrial work discipline. In short, the 'endowment of labour' looked for is its suitability for the flexible Taylorist paradigm which has been identified in the first part of this paper,¹⁴ a socially constructed characteristic of local society.

The coexistence of post-Fordisms

When at the beginning of the 1980s the Fordist compromise was openly criticised and judged obsolete, the spontaneous tendency was, once again and following the lessons of history, to look for 'the' new form of hegemony in the capita-labour relation. The first part of the decade, marked by the success of Reaganism, saw the triumph of the idea that 'the' way out of the crisis of Fordism would be the (external) flexibilisation of the wage contract. 'Euro-sclerosis' was criticised and blamed on the rigidity of the wage relationships. Then after the crash of 1987, the decline of the United States and the impasse it had been led into by Reagan's 'deregulation' became obvious, and the technological and financial superiority of Japan and Germany became clear. It was recognised that models for escaping from the crisis based on the 'mobilisation of human resources' outperformed those based on flexibility. Today (in 1994), the difficulties faced by Germany and Japan show that things are not so obvious, and competition from the NICs of Asia and even Latin America seems capable of imposing on the whole world a single standard of ever lower wages and ever more flexible wage contracts. In any case, is it

reasonable to think that one of the two paradigms distinguished in the first two sections of this chapter will have an absolute advantage over the other and will end up by eliminating it?

The fact that it is not yet possible to say *which* must however give cause for thought. First it is clear that the two paradigms are not sufficient to define a coherent model of development for the whole world. There is a lack, at the very least, of a mode of regulation of international effective demand. Competition in the world market has become global and hence cyclical, as it was before 1950. There is no reason why the cycles should spare the dominant model (be it the USA, Germany or Japan). Next, exceptional events such as the dissolution of the 'socialist' bloc and its conversion into market capitalism, for the moment successfully in China and unsuccessfully in Europe, cannot but influence the economic situation and even the structure of neighbouring countries (especially the unification of the two Germanies).

But even taking into account these conjunctural considerations, we are prepared to risk the following structural hypothesis. *The world will organise itself into three continental blocs, and within each there will be a division of labour between the centre and the periphery based on different combinations of the two basic paradigms of post-Fordism.*

The first point – the tendency for the world economy to break up into continents (Asia and the Pacific around Japan, the Americas around the United States, and Europe around Germany) – is not essential to the argument. This integration within continents results in the first place from a 'revenge of geography' – with the 'just in time' method of organisation, distance and transaction times take on greater significance. It is also the result of the attempts to control the international economy, which on a world scale is too difficult to achieve, but which has got some chance of success between neighbours.

Within each of these blocs there are clearly countries at quite different levels of development with core-periphery type relations between them, be they within the first or the second type of division of labour. These hierarchies are changing, there is progress in the peripheral countries, the dominant countries get out of the crisis with varying degrees of success, and above all they use different ways to do so, emphasising one or the other of the paradigms shown on the axes defined earlier.

The second hypothesis put forward here is thus the possibility of the coexistence of the two paradigms within the same area of continental integration, with an international division of labour of the third type

between countries where one or the other of the two paradigms dominates. Note that it is not a question of producing in different ways quite different products as in the first international division of labour, nor to specialise, as in the second international division of labour, in different kinds of task within the same paradigm and within the same industry, but rather to produce similar products in a *different way*.

This is only possible if neither of the two paradigms completely outperforms the other, and which one dominates depends on the industry or sub-industry. At this point the Ricardian formalism finds its heuristic value if the notion of 'initial endowment of factors' is replaced by that of 'social construction of the adoption of a paradigm'. This social construction is a complex fact about society that is not elaborated here (but see Leborgne and Lipietz 1988). Here it is simply noted that the adoption of the 'flexible' and 'negotiated involvement' paradigms correspond, respectively, to 'defensive' and 'offensive' strategies, on the part of the elites of the nation or region considered, for getting out of the crisis.

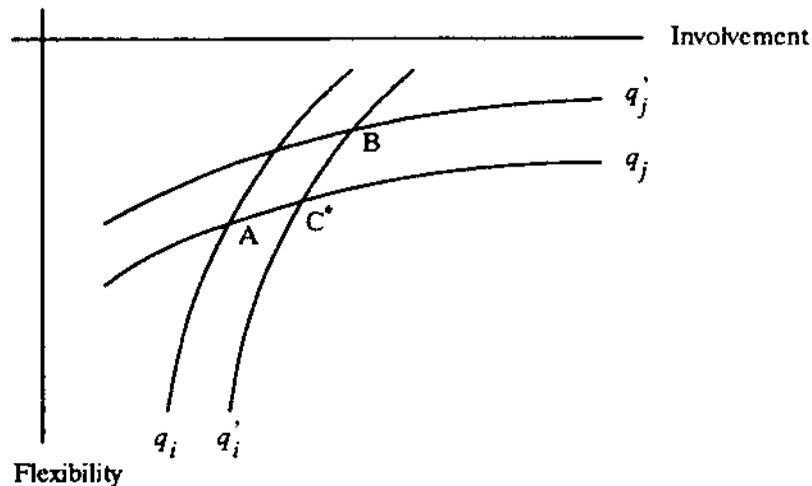


Figure 4.3 *Comparative advantages*

Suppose that in industry *i* it is possible to produce, at the same cost, in either of the two ways – firstly by 'mobilising human resources' with contractual guarantees and with relatively high wages corresponding to a

high level of skill, or alternatively with Taylorist methods and in this case with less skilled labour and with wages sufficiently low. Assume also that this choice between involvement and flexibility allows for intermediate positions on a continuous curve which can be represented as a fixed price curve for a quantity q_i , very much like the classical production function which combines capital and labour. This is shown in Figure 4.3 where the axes are labelled (somewhat confusingly) Flexibility–rigidity and Taylorist–involvement following Figures 4.1 and 4.2. In this picture neither paradigm is completely dominated by the other. It is possible for sufficiently low wages to be equally competitive with a 'Taylorist' work organisation as it is with a 'Ohnist' organisation which requires higher wages.

In order to be more competitive, and produce a quantity q_i' greater than q_i for the same cost, it is necessary for a given level of involvement and skill, to find more flexible and less well paid workers, or for a given wage find workers with a greater level of involvement and skill. The constant price curves with growing competition move away from the origin. But industries are not all equally sensitive to changes in flexibility and involvement. In industry *i* with a high level of skill, it is necessary to have a considerable reduction in wages to compensate for the advantages of a small change in the mobilisation of human resources. For industry *j* the opposite is true, here it is a standard industry where involvement does not matter very much.

Consider two countries A and B, or two segments of the labour market in the same country but well insulated from each other (by gender or ethnics for example). In the figure the point A is superior to the point B for industry *j* (because $q_j' < q_j$), but it is the other way round for industry *i*. Note however that the point C is superior to A for both industries. This can be put as follows (adapting Ricardo's theorem): *the industries most sensitive to skill will tend to look for the relatively more skilled and less flexible segments of the labour market, the industries most sensitive to the low cost of labour will tend to look for the more flexible segments of the labour market.*

This helps to understand the success of the 'Toyotist' model, because if within a given society the two types of labour market can be found, then the ability to negotiate wages at the level of the firm would enable there to be an optimal adaptation for all industries. The more 'Kalmarist' national models would be handicapped by the rigidity and excessive cost of labour in the more standard industries. The more flexible national

models (neo-Taylorist) would be handicapped in industries requiring a high level of skill. On the other hand countries where there is a classical Fordist relation (rigidity plus Taylorism) will be gradually outperformed 'from above and from below'.

If differences within countries are abstracted from, and only their relative position in Figure 4.2 is considered, then it can be seen that within a given continental bloc all the different possibilities may coexist. Industries with the most skilled labour will tend to be found at the top and the right, where there will be high salaries, high skill levels, the highest internal flexibility and hence the greatest ability to introduce new processes and to invent and test new products. In a word they are found in 'core' countries. As industries become more standard, they are found in countries more and more to the bottom and left of the figure, who can remain competitive only by a more and more savage flexibility and with ever lower wages, and with the risk of being accused of 'social dumping'. Figure 4.4 shows how as you move down the steps toward the periphery you - first - find the old Fordist countries become more and more neo-Taylorist, then the peripheral Fordist and finally the primitive Taylorisation countries.

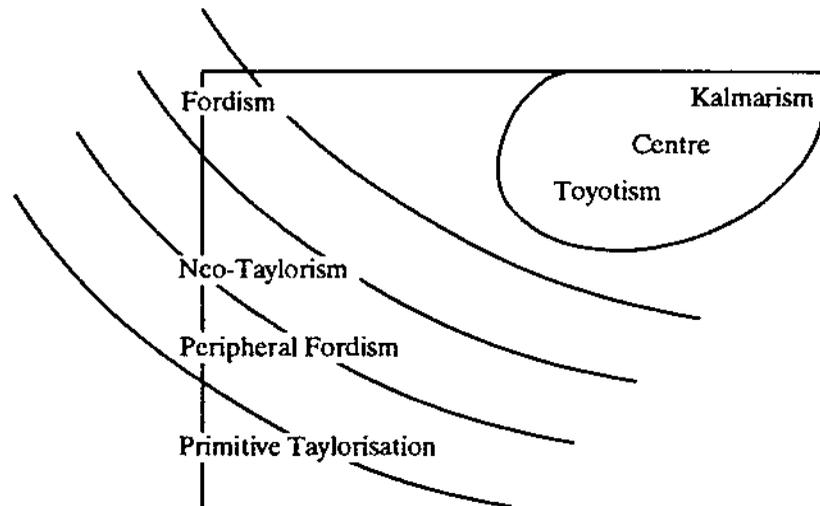


Figure 4.4 *The new hierarchy*

This hierarchy is fine on paper, but in the field things are not ordered quite so neatly as will be seen when Europe and America are compared.

Europe - a well ordered hierarchy

*Europe - a hierarchical continental bloc*¹⁵

The most important market in the world both in population and in wealth, Western Europe is also the centre of world stagnation since the beginning of the crisis. It is the only advanced capitalist centre where unemployment has remained high despite the demographic stagnation. This paradox is in no way linked to a lack of technological or social innovation, as can be seen in the Scandinavian countries and in the 'alpine arc' of Southern Germany, Austria, Northern Italy and Switzerland. A glance at the figures (see Table 4.1) clearly shows the fundamental problem. In the 1980s the only countries to avoid stagnation and unemployment were Norway, Sweden, Austria and Switzerland, that is countries who were not members of the European Community. This stagnation specific to the EC is the disquieting phenomenon which will have to be explained. But first consider the changes in the way that Western Europe as a whole (the EC plus EFTA) is inserted into the world economy.

The first characteristic of Europe is that it is composed of ferocious exporters - seven out of the world top ten - but who are struggling mainly between themselves. Between 1967 and 1986 intra-European trade (EC and EFTA) grew from 37.6 per cent to 40.5 per cent of total world exports. But when inter-zone exports are excluded, then the west European export share fell from 15.3 per cent to 13.8 per cent and the import share from 17 per cent to 11.8 per cent over the same period. Thus Europe as a whole is in surplus while seeming to slowly lose importance in world trade. To this should be added the fact that Europe is the only zone in the world with a positive balance on the services account excluding payments to factors. Inveterate competitors with each other, the European countries taken as a whole do not offer any outlets for other countries to balance their accounts.

This general European 'self centredness' takes on a more dramatic form at the sector level. What stands out in an analysis by industry (CEPII, 1989) is the reduction in imports, especially in the agro-food sector but also energy and non-ferrous metals. The only sectors with growing imports were textiles (where Europe is in balance), motor vehicles (where Europe has a surplus) and electronics (where it has moved into deficit). It is the same with exports where the only growth sectors are energy, electronics (where Europe is in deficit) and the chemicals 'bastion'. The time when Europe was the workshop inundating the world with its manufactured

goods and importing its industrial raw materials and food from the less developed world is clearly over. Europe is *de facto* moving to a kind of self sufficiency. The springboard of this evolution is the powerful constraint of internal competition. Each country in Europe is attempting to balance its account at any price. This self-centredness is also made possible by the internal diversity of Europe, with its countries with a strong manufacturing tradition, its newly industrialised mediterranean countries, its great temperate plains strongly encouraged to guarantee (and more) self sufficiency in food thanks to a productionist common agricultural policy, and even its reserves of fossil fuels. Europe (EC plus EFTA) forms an 'integrated continental bloc' illustrating well the hypothesis of this paper.

The productive weight of western Europe will be looked at next. Gross domestic product can be aggregated and compared in two ways - in volume (evaluated at purchasing power parities) or in value (at current exchange rates). Since the end of the 1960s Western Europe has become less important in volume terms, but much less so in value terms. The decline in both value and volume terms is particularly clear *vis-à-vis* Japan, in Latin America however the volume share grew like Japan's did, and even more so, while the value share fell even more rapidly than Europe's. This brings out the two ways that a zone can be inserted into the world market. At one extreme the value of the production grows as a result of a kind of quality improvement, and at the other extreme there is a growing volume of exports but at a lower and lower price on world markets. From this point of view Western Europe finds itself between the Japanese path and the Latin American one.

This diversity is also found within Western Europe. In volume terms every country lost shares in world trade with the exception of the 1960s newly industrialising countries of Southern Europe - Spain, Greece and Portugal.¹⁶ But these latter countries, like Latin America, saw their values stagnate. The British Isles (Great Britain plus Ireland) lost as much in volume as in value, the Federal Republic of Germany, France and Italy lost in volume, but Germany and Italy grew in value. So in broad terms the picture is one of a more or less stagnant Northern Europe, and a Southern Europe which is growing, but which - with the exception of Italy - is only able to realise the output of its workers at low prices. This new indication of a European sickness will become more clear when account is taken of the complexity of the reciprocal adjustments within Western Europe.

Some countries, in particular those of Southern Europe, play the 'defensive' low wages card. Others, especially Scandinavia, on the contrary

play the 'offensive' card of the negotiated social mastery of new technologies. Almost every point on the curve of outlets to the crisis is represented in Europe, and there is both a 'core' which grows in international values, and a periphery which can only grow in volume terms. This is not sufficient to counter, in motor vehicles and electronics, the organisational superiority of the Japanese, or in textiles the competition from third world countries with a very high level of exploitation of labour. This is why Europe also plays the protectionist card against Japanese cars, Asian textiles, beef from Argentina *etc.* But it would be a big mistake to reduce European selfcentredness to protectionism, its anti-dumping passion underlines the importance it attaches to the maintenance of its internal social compromises. Now this varies both between regions and nations, and the greatest threat to it comes from the internal structure of Europe. This will be analysed next.

The macroeconomics of the single market

The fundamental problem of any 'economy of work in the Single Market' is that onto any interregional differences in the strategy adopted to escape from the crisis of Fordism are superimposed the internal European national frontiers. Every country, whatever strategy is adopted at its own level, must balance its external account. A stylised view of this is presented next, followed by a consideration of possible outcomes given the present state of the Single Market Act and the Maastricht Treaty.

A stylised model of the situation of the EC¹⁷ up to 1993 (that is, before the breakdown of the European Monetary System) can be characterised as follows:

1. The EC is potentially self sufficient.
2. There is a free market in goods and capital, and real exchange rates are fixed.
3. Each country has to adjust to the external constraint without any explicit coordination with the others (non cooperative game).
4. Each EC nation can be thought of as being composed of some regions adopting a neo-Taylorist strategy as a way out of the crisis, and of other regions with a negotiated involvement strategy.
5. The offensive strategy (negotiated involvement) is superior (in competitiveness) to the defensive (flexible) strategy, but the superiority is less in the labour intensive industries where a sufficiently large wage difference can give the advantage to the defensive strategy.

From the first three hypotheses the normal Keynesian considerations (beggar-my-neighbour policies: Glyn *et al.* 1988; Lipietz 1985a) result in a tendency to stagnation – each country being obliged in the short term to react to the pressure from the others by reducing incomes and attempting to increase exports by reducing unit labour costs. A tendency which, as has been seen, was confirmed by the experience of the 1970s and 1980s. It is also to be expected that in the medium term countries with weak social protection and low wages would develop a competitive advantage over the others, which would in turn lead to a general erosion in social protection (social dumping). This would certainly be the case if the forms of work organisation were everywhere the same, and competition only functioned at the level of wages and ‘defensive flexibility’.

This analysis must be modified, though, when hypotheses 4 and 5 are introduced. The application of the ‘transposition of Ricardo’s theorem’ of the previous section means that each region will tend to specialise in the industries which use most intensively the ‘factor’ with which the region is best endowed, that is to say either flexible and Taylorised labour, or skilled labour and negotiated involvement. Since there is free movement of capital and the market really is a single one, the division of labour within the EC tends to get divided between regions by industry (or sub-industry) according to this special kind of ‘comparative advantage’. This allows Denmark, for example, to exist side by side with Portugal where wages are five times as low.

The totality of the single market is thus determined by the relatively high wages in the countries where involvement dominates, and the relatively low wages of the countries with flexibility. The weaker are the redistributive options in the first group of countries, the more is the second group constrained to low wages (and to flexibility and unemployment). In the absence of a concerted policy to expand the economy (point 3) the macroeconomic choices of the first group impose themselves on all the others and in this way define a kind of equilibrium with underemployment at the European level.

It must be emphasised that in the regions of the core, gains in productivity are redistributed in the name of collectively negotiated involvement within the strict limits defined by the competitive quasi-rent which is conferred on them by the productive advantage of the involvement of their workers. This quasi-rent itself is constrained by the difference in competitiveness between the two groups of regions, its preservation implies a structural ‘excessive redistributive prudence’ in the

first kind of region, because it is at permanent risk of being reversed by a growth in wage costs relative to the second type. In other words, while Fordist macroeconomics was based on a general and foreseeable national redistribution, the regional social compromises based on involvement, within a Europe without common social legislation, can only be maintained if account is taken of productivity differences between regions, and if they tend to be affected (pulled by demand) by growth in other regions.

However the result is less catastrophic than the one based only on the first three hypotheses. Instead of a reciprocal erosion of the national social compromises by intra-EC competition, there is a two speed Europe, a geographical ‘leopard skin’. Moreover the regional ‘marks’ of a network of firms with an ‘offensive’ social compromise will often include subcontracting and business services sectors, and homeworkers where the social security cover is weak and highly ‘flexible’; these intra-regional differences can be based on gender and ethnic differences.

In any case this Europe with two social speeds is, by the mechanism we have just analysed, a Europe with but a single economic speed – and that is a slow one.

Where are we?

The considerations above shed some light on the facts evoked at the beginning of this section – the relative stagnation of Europe and high unemployment rates, even in countries with balance of payments surpluses, and this despite a surplus for the European zone as a whole. They also shed light on the contrast between countries (the Federal Republic of Germany, but also Italy thanks to its Northern and Central regions) which are growing by increasing the value of their labour on the international market, and those who are growing by devaluing their labour (mainly the Iberian Peninsula, and partially the British Isles), as a result of their choice between neo-Taylorist and negotiated involvement labour relations.

Up to 1993, the EC institutions are becoming more and more like the stylised hypotheses above, especially with the ratification of the Single Act: a free exchange zone without a common social policy (except in agriculture). The European Common Market had hardly impeded the Golden Age growth of Fordism because all the countries used to simultaneously follow a policy of growth of their internal market. The balance of payments disequilibria were periodically purged by devaluations, or by short term cooling down policies, and even by ‘failsafe clauses’ permitting the establishment of some customs tariffs. In the 1960s

these margins for manoeuvre were little by little abandoned, even though the growing internationalisation of the economy increased the commercial war between member countries. Deprived of the possibility of changing its exchange rate by the rules of the European Monetary System (EMS), the only way for each country to achieve balance of payments equilibrium is by growing less rapidly than its neighbour, a policy of 'competitive austerity'.

In reality growth in Europe is strictly limited by the growth of the most competitive, and thus surplus, economy, that of the Federal Republic of Germany which has chosen the strategy of negotiated involvement. But since the second phase of the crisis, German governments of the left or right have preferred monetary and budgetary orthodoxy despite a high rate of unemployment in the Northern and Central regions. As a result of the EMS and the Single Act, the hegemonic weight of the Federal Republic of Germany has allowed it to act as the Economics Minister for the whole of Europe. In particular it controlled the size of the 'monetary adjustments' within the EMS, and its restrictive domestic monetary policy forced excessive interest rates on all its partners until 1993. In refusing either to stimulate its own economy or to allow its partners a competitive devaluation, it condemned them to oscillate between stagnation and deficits *vis-à-vis* itself. The commercial power of the EC is in some ways reduced to the commercial power of Germany, and that relative to the rest of Europe. The Federal Republic of Germany obtains the main part of balance of payments surplus from the rest of Europe, thus forcing these countries to have a positive balance with the rest of the world in order to pay for their imports from Germany.

Nevertheless, at the end of the 1980s, Europe (EC plus EFTA) seemed to be a 'tranquil force' progressing in a more stable and certain way than the Americas, less rapidly certainly than Asia but with an incomparably higher standard of living. It appears to be organised exactly as in the core-periphery schema of Figure 4.4. At the top the Kalmarist countries of Scandinavia. In the middle Germany and the 'alpine arc'. A bit below lies France which is evolving from Fordism to a fairly defensive flexibility, but with a few more offensive islands. Then neo-Taylorist Great Britain, and Spain which remains peripheral Fordist, finally Portugal still more peripheral and flexible. Further on lies Morocco and all the countries of the Agreement of Preferential Interest (basically: Southern Bank mediterranean countries). Further still lie the African, Caribbean and Pacific (ACP) countries of the Lomé Agreement which remain in the first international

division of labour and are trying hard to be part of the second, in the position of primitive Taylorisation.

But the fall of the Berlin Wall will change all this. On a macroeconomic level the reconstruction of Eastern Europe could have played a dynamic role in Western Europe if there had been a 'Marshall Plan' policy with associated low interest rate. The opposite happened, and after a two year Keynesian stimulus, the restrictive German monetary policy progressively smothered not only the reconversion in the East, but also any internal dynamism in West Europe. But on top of this error of economic policy, the eruption of an ultra-flexible but yet skilled labour force has arrived to upset the pre-1989 equilibrium, in particular in the top right hand corner of Figure 4.4. In a way the opportunities of flexibilisation prevail over the advantages of involvement (Lipietz 1992).

It is first of all the Scandinavian model which is put into a state of crisis. Suddenly deprived of its traditional outlets in the East (while they could have hoped for a 'hanseatic virtuous circle'), Finland and Sweden are faced with the structural competitive weakness of their 'Kalmarist' compromise in a context of liberalism, since nationally negotiated compromises between capital and labour are dangerously generous to those industries with a low level of involvement and low productivity gains. This generosity ends up by also endangering the competitiveness of the more productive sectors – significantly the eponymous Kalmar factory is now closed. There is thus a tendency to slip down the curve towards the bottom and the left, that is to say towards negotiation by industry and abandoning the 'solidarity wage' (Mahon 1993).

But Germany itself is being pulled along by the same forces. Chancellor Kohl's 'initial lie' concerning the financing of reunification is leading to a general destabilisation of labour relations in West Germany despite the fact that the Ohnist industrial paradigm remained less perfected there than in Japan. The industry agreements have been repudiated. The employers of the small and medium-sized enterprises are attempting to disengage themselves from the industry negotiations which align their wage contracts to those obtaining in the large firms, who themselves are not hesitating to threaten to move production to more flexible countries such as Portugal or Malaysia (Duval 1993). So to summarise there is a generalised movement towards Toyotist rules of the game.

This 'flooding' of the core by the ocean of peripheral flexibility remains for the moment contained, and could be reversed by social and environmental legislation at the continental level. Unfortunately the

Maastricht Agreements ignore these two essential points and on the contrary, through exchange rates and interest rates, reinforce the rigidity of the macroeconomic links between countries. However the difficulties encountered in applying the Agreement, as a result of the two crises of the EMS in September 1992 and July 1993, increase the margins of manoeuvre of national macroeconomic control and mutual adjustment between countries, but it is not a good sign for the future fundamental treatment of this issue which requires more Europe rather than less. Paradoxically the difficulties of the NAFTA will demonstrate the same thing.

North America – a paradoxical bloc

A glance at Figure 4.4 shows the two differences between North America and Europe:

- the dominant force in the continent, the United States, is not engaged in the dominant world industrial paradigm;
- since the core and the periphery of the continent are engaged in the *same industrial paradigm*, they can only compete with each other through the degree of flexibility.

So the first paradox is that the core which dominates the American continent, the United States, is no longer dominant, either technologically or financially, on a world scale. And the only purpose served by its military power is to allow it to manage the enormous public order problem brought about in the whole hemisphere by the decadence of its own social compromises – the war against drugs. As for organising the economic network of its sphere of co-prosperity – the word is not well chosen! – that is another matter. The United States only controls one market, Mexico, its feudal border country. The whole of South America, with countries which previously seemed so promising – Brasil and Argentina – is now caught in a historical backwater. It is too indebted, too far from the United States which has become too weak, and waiting for Japan or Europe to become interested in it again, which already seems to be the case in Chile.

In September 1991 I was able to visit several factories on Mexico's northern border.¹⁸ This was only a very small sample of five factories, but the fact that my Mexican colleagues had been able to arrange for me to visit them indicates that the managers were particularly proud of what they had to show me. Of the five factories four escaped from the technological or financial domination (or both) of the United States. The four were:

- the Sony factory at Tijuana: obviously escaped from both dominations;
- the Rockwell factory at Nogales: American equipment, but it has just been bought by Alcatel of France!;
- the cement factory at Yaqui (a magnificent ultra modern cathedral to productivism): all the machines were Swiss;
- the equally modern Ford factory at Hermosillo: most amusingly, everything, except the Mexican labour force and a few spare parts from the Mid West, was Japanese – the robots, the presses, the steel, even the GTI engines, and of course the discourse were imported from Japan.

All the same I did visit a genuine *maquiladora* (subcontractor) of a gringo firm, a sawing machine tool factory in Hermosillo. But this was only to discover that the parent company, where the parts were made, was also going to move to Mexico. And that is the worst part of the drama of American industry; having chosen for itself the strategy of low wages and a low level of skill, it no longer has any reason to keep the heart of its productive apparatus on its own soil as Germany and Japan have done. All United States manufacturing is tempted to slip towards the use of Mexican labour, with machines more and more often of European or Japanese origin.

In this way the serious consequences of the second characteristic of the North American block become apparent. Instead of the constituent countries being aligned from the core to the periphery along the diagonal line from Kalmarism to Neo-Taylorism, here Canada, the United States and Mexico are aligned on the vertical axis of growing flexibility, but with a uniformly Taylorist industrial paradigm, so that most industries can only compete with the assistance of low wages and a reduction in workers job security. The implication is that a general movement of firms (or at least their type 3 Taylorist jobs) towards Mexico is inevitable and can only be slowed down by the requirements of just-in-time management for the close proximity of supplies.

This law first became obvious at the time of the first Canada–United States free trade agreement in 1990. Canada, with 'permeable Fordism' (Jenson 1989), had to a large extent escaped the 1980s social deregulation of Reaganism, but without being able to endow itself with a qualification globally superior to that of the United States, with the result that it rapidly lost employment to its neighbour.¹⁹ But it is with the arrival of NAFTA that the problem became really important. Mexico is in effect evolving in the Indian direction (as discussed earlier) with the following characteristics:

- A general increase in flexibility of the wage relation for the old 'labour aristocracy' in State enterprises. This flexibilisation is accompanied by a rationalisation in the organisation of labour.
- A very rapid exodus from the countryside, further accelerated by the freeing of the market in the common lands (*ejidos*). This resulted in an explosion in the urban informal economy and an overabundant supply of labour for primitive Taylorisation.

During the 1980s these two movements converged, the import substitution sector changed to an export-led one, and the primitive Taylorisation sector of the Northern border became stronger, increased its mechanisation and was more and more allowed to work for the internal market. So a true peripheral Fordism is emerging in Mexico. This transformation is perceived by some Mexican researchers as a process of Japanisation, or is presented as such by the elites, in the sense that it combines flexibility and the mobilisation of the responsibility of shopfloor workers. In fact Japanese firms do not have, *at the same time*, an Ohnist organisation of production and a flexible regulation of the wage relation. Moreover the organisation of work, even at Ford Hermosillo has nothing in common with Ohnism. There is no question of negotiating the involvement of workers in the perfecting of the productive process, but rather to incite them individually, by persuasion or by bonuses, to keep strictly to the prescriptions of the methods office, in the pure style of Frederick Taylor or Henry Ford II

The Japanisation of Mexico is thus in fact nothing more than showy *Japanisation*. But it has succeeded in putting the country's industry in such a competitive position relative to the United States that, in 1992, the negotiations on the Free Trade Agreement, brought out to a fanfare of trumpets by the liberal administration of George Bush, is being questioned by the US side itself. Large sections of opinion are recognising that in the new rules of the game it is Mexico which will have an absolute advantage over the United States for the semi-skilled labour in most industries.

The less dogmatically liberal Clinton administration is reconsidering the whole issue, and without denying the United States interest in extending the NAFTA to Mexico, is demanding and obtaining in July 1993 the signature to two additional protocols against social and environmental dumping. This has not succeeded in disarming the opposition of the unions and the ecologists of the three countries.

A few words of conclusion

In North America as in Europe, competition between divergent models to escape from the crisis always results in a powerful pressure to align social conditions on those of the least favoured part of the working class. The strength of Scandinavian and German unions has however succeeded in imposing on northern continental Europe solutions based on negotiated mobilisation of human resources. These solutions have succeeded in winning on a global scale, in the sense of permitting the regions where they exist to consolidate their central positions in the framework of post-Fordism. They have even allowed them to coexist, on the basis of a socially constructed comparative advantage, with countries in the same continental bloc with much lower wages and much more flexible wage contacts.

However, the eruption on the doors of western Europe of an abundant, flexible and relatively skilled labour force increases the temptation of the employers in the core to play the card of moving to the zones of flexible labour. This scenario is already occurring - with even greater force since the whole of North America is essentially following the same Taylorist industrial paradigm - between the United States and Mexico.

It is an irony of history that NAFTA which was launched on a more liberal basis than the EC has been forced to adopt the rudiments of a 'social and ecological continental space' more constraining than that of Maastricht.

Notes

1. Original title *Les nouvelles relations centre-peripherie: Les exemples contrastes Europe-Amerique*. This paper was presented at the *Intervention au Colloque: A periferia europea ante o novo seculo*, Saint-Jacques de Compostel, 29 September - 2 October 1993.
2. The sub-section which follows is a résumé of Glyn *et al.* (1988), Lipietz (1985a, 1990 and 1992).
3. This is the well known position of Ajit Singh - see Glyn *et al.* (1988). The position of Lipietz (1985a) puts more emphasis on the success of the credit economy of the 1970s.
4. See Aoki (1987, 1988). A long time ago Andrew Friedman (1987) had already opposed 'responsible autonomy' and 'direct control' as being two tendencies which were in *permanent* conflict within the capitalist organisation of work. In Aoki's writings the opposition between 'semi-horizontal' and 'vertical' structures of coordination in work is related to more general considerations of industrial organisation. Significantly he starts by showing the superiority of the first over the

second in the case of just-in-time management (Kanban) of on-stream productive processes (car assembly lines). Next he admits the superiority of responsible autonomy in most kinds of productive processes.

Note the relative independence of labour relations, not only *vis-à-vis* technology, but also *vis-à-vis* other aspects of internal management of the firm and industrial organisation. This independence remains relative and the view taken here is that the new technologies *underline* the superiority of responsible autonomy (without however determining it as suggested by Piore and Sabel 1984). Further, responsible autonomy is perfectly consistent with sophisticated forms of industrial organisation such as just-in-time and 'networks of firms'. But this is going beyond the field of the current paper. See Leborgne and Lipietz (1987, 1988).

5. The final part of this section and the following one is the result of collective work organised at an international level by the World Institute for Development Economics Research (cited in the bibliography as the WIDER project), now published in Schor and You (forthcoming).
6. See Doeringer and Piore (1971). The term 'market' can be confusing, even the external labour market is not a true market, and the internal market is certainly not one at all.
7. As is shown, the negotiation of the involvement (and the involvement itself) can involve aspects external to the firm, such as skill formation and the participation of the unions in directing committees at the interprofessional level or at the industry level (as in the 'corporatist' states such as Austria and Sweden).
8. Or even at the international level! The problem of which geographic field is suitable to the social paradigms is one of the most difficult and least explored (see however Lipietz 1985b). This point will be considered again later.
9. This combination is still however possible, if it concerns different segments of the labour market within the same society. What is *in general* not possible is the negotiated involvement of a group of flexible workers. That is to say the Piore and Sabel model.
10. Take care! Toyotism is not Ohnism! It combines Ohnism as an industrial paradigm with a certain mode of labour relations.
11. See, however, Lipietz (1988).
12. The limits to the mobility of capital (and with it of technology) have practically become non-existent. As for the limits on the mobility of labour, they are largely the result of countries judging that they have an excess supply of labour.
13. In reality, it is *also* a division of labour between different modes of production or different forms of organisation of labour, because certain forms of production outperform absolutely the waged workforce in those industries. See Lipietz (1977).
14. It is also necessary that this Taylorisable and flexible labour is faced with an elite of employers and civil servants who are capable of setting in motion such a model, which is in general far from the case. On all these conditions, see Lipietz (1985a).
15. The following is based on a first approach in Leborgne and Lipietz (1990).
16. See CEPII (1989) and Lipietz (1985a). Freire de Souza (1983) has shown that this same contrast exists between Portugal (growth in volume) and Spain (growth in international value).

17. Here only the EC is considered. EFTA is more homogenous in its choice of negotiated involvement as the way to get out of the crisis, and above all it has retained its monetary sovereignty.
18. I would like to thank Lilia Orantes (University of Sonora) and Jorge Carillo (Colegio de la Frontera Norte) for the organisation of these visits.
19. Mahon (1992) shows nevertheless the possibilities for an 'upwards' adaptation in Canada. Lapointe (1992) gives the example of the aluminium industry. But Toyotism has been, for a long time now, the *general* line of evolution in the process industries, even at the Cement factory at Yaqui!

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