

Work of the future

Global perspectives

Edited by

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Since the beginning of the 1980s, 'fordism', the dominant Western model of development in the postwar period, has clearly broken down. The developed countries have looked at various ways to construct an alternative. Some have preferred to emphasize the flexibility of labour, others the 'mobilization of human resources'. At the same time, the newly industrialized countries have increased their competitiveness and have differentiated themselves. This has resulted in a vast reordering in the world economic hierarchy.

Another tendency that has been revealed with growing force is the concentration of international economic relations into continental blocs—Europe, America and 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 and most codified. Europe, with the European Union (EU) and the European Free Trade Association, has a thirty-five-year lead and its institutional apparatus is already highly elaborated. The bloc comprising the Americas, and in particular North America with the North American Free Trade Agreement (NAFTA), is moving in the same direction. The two blocs have in common the heterogeneity of the economies that they unify. It is precisely the coexistence of countries with different wage regimes within an integrated continental bloc that is the subject of this chapter.

The first section considers the different ways the dominant countries have attempted to escape from the crisis of fordism. The focus is then widened to include the other countries of the South and the East. The third section then outlines the hypothesis that we

are seeing the emergence of a new international division of labour. Finally the fourth and fifth sections return to the contrasting examples of Europe and North America.

The central crisis of fordism

Throughout the post-World War II period, two models of development were proposed to the developing countries: the Western model and the socialist model. The various countries that claimed allegiance to the socialist model have now abruptly rallied to some kind of capitalist model. On the other side of political economy, the development model of the Golden Age of Western capitalism (which is here called fordism) has been in a state of crisis since the 1970s. No one thinks of it as being 'the final crisis of capitalism'. On the contrary, many reforms have been proposed for this model, and by the end of the 1980s these reforms seemed to have come together to give more or less promising results. For the immediate future it appears that variations on fordism will determine the future of capital-labour relations throughout the world.

We begin with a brief definition of fordism. As with any model of economic development it can be analysed on a number of levels. Firstly, as the general principle for the organization of labour, fordism is 'taylorism plus mechanization'. Taylorism implies a strict separation between, on the one hand, the conception of the production process—which is the task of the corporate organization and its methods offices—and on the other hand, the execution on the shop-floor of standardized and formally defined tasks. Mechanization 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 offices' orders.

Secondly, in so far as it is a macro-economic structure (a regime of accumulation), fordism implied that the productivity gains resulting from these organizational principles were matched by a growth of investment financed out of profits and a growth in the purchasing power of workers' wages. The result in theory was that the share of wages and salaries in value-added terms 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.

Thirdly, in so far as it is a system of rules of the game (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 socialization 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 organization as well as the macro-economic structure were respected.

The rise and fall of the Golden Age

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 internationalization 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 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 co-ordinate the maintenance of world demand through institutions such as the OECD (the Organization for Economic Co-operation and Development), the IMF (the International Monetary Fund), the Trilateral Commission and the Summits of the Big Seven. 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 suboptimal from the point of view of demand. 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, and more and more firms moved their enterprises to non-unionized 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 slow-down 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.¹ Hence the turn to supply-side policies, that is to say towards concentrating on 'labour relations', a sphere that 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 losses,² which could also explain the slowdown in the growth of productivity.

The fact is, that at the end of the 1970s, profit-squeeze had become the official explanation. Profits were said to be 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'.

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 liberalization 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 the context of a rising cost of job losses (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 policies³ 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 by the United States, the United Kingdom and France. On the contrary, these countries have experienced both de-industrialization 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 characterized 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 shop-floor 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 shop-floor workers can lead to a superior organizational principle. This is especially so when setting in motion new technologies or 'just-in-time' management systems which require the involvement of the intelligence of shop-floor workers and their willing co-operation with management and engineers. This was precisely the alternative way chosen by numerous large companies in Japan, Germany and Scandinavia. There, pressure from the unions and organizational traditions led to the choice of the 'solution by negotiated involvement' as a solution to the crisis of fordism.⁴

At the end of the 1980s, the superiority of this choice was being more and more recognized, 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 postfordism as

Using a different vocabulary, the vertical axis refers to the 'external labour market', to the link between the firms and the labour looking for work and wages. The horizontal axis refers to the 'internal market', to the form of organization of co-operation/hierarchy within firms. On this axis as opposed to Taylorism we could speak of *ohnumism*, in recognition of the role played by the theoretician of the Japanese methods of production developed in particular by Toyota.⁶ On the vertical axis both rigidity and flexibility have many dimensions.

On the horizontal axis, there are also many dimensions: 'involvement' may signify qualification, co-operation between workers, participation in the definition and monitoring of tasks, and so on. Here again it is a case of a synthetic axis. But this time, for reasons that will become apparent, it is necessary to take into account the level of the negotiation about the involvement of the workers.

- 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 co-operative production. Also, the individually negotiated involvement (I in Figure 3.1) can be extended to a team or a work-shop. This remains compatible with a flexible work contract.
- Involvement can be negotiated firm by firm, between management and unions (F in Figure 3.1). 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 3.1). This limits the risk to firms of competition through 'social dumping', and encourages them to set up communal institutions for training, and so on. As a consequence the external labour market is likely to be more organized, and in general more rigid and with a greater socialization of labour-income.
- The involvement can be negotiated at the level of society as a whole (S in Figure 3.1), with the unions and the employers' organizations negotiating the social orientation and the sharing of production at the regional or national level, it being understood that the unions will ensure that 'their people' will do their best on the shop-floor or in the office. Here the external labour market is likely to be at least as well organized as in the more corporatist or social-democratic forms of Fordism.

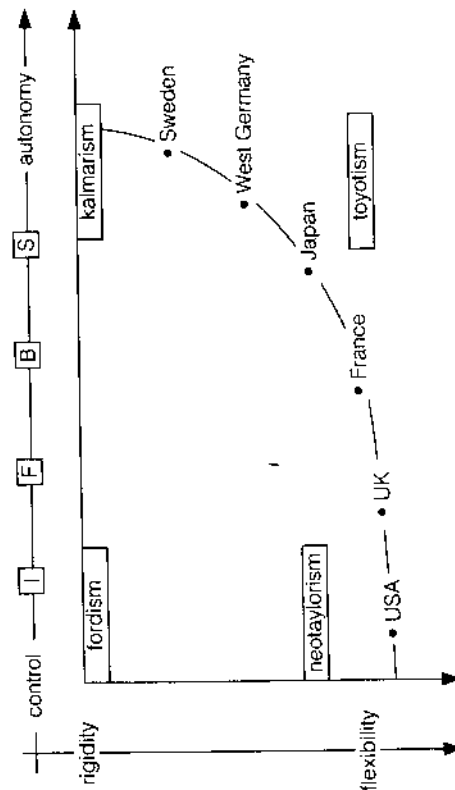
'flexible specialization'.⁵ The mutual coherence of these ideas will now be looked at.

After Fordism, what?

The overview of recent economic history that has just been carried out can be summarized as follows: firstly, great importance was initially attached to the demand side. Then this problem was forgotten, as if it had come to be without interest because internationalization had made demand impossible to control, or because the boom of the second half of the 1980s had made it unnecessary to support demand. Secondly, there was the development of two doctrines concerning the supply side: *liberal flexibility* and *negotiated involvement*. For the moment we will just consider the supply side.

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 3.1). 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'.

Figure 3.1 Restructuring capitalism after Fordism



Legend: I—individually negotiated involvement
 F—firm-by firm negotiated involvement
 B—industry-level negotiated involvement
 S—society-level negotiated involvement

On the other hand, the collective involvement of workers can only occur if firms and the work-force share common aims in a context of external flexibility at whatever level—individual, firm, industry or territory. Thus the limit of the consistency between flexibility and involvement appears as a curve joining the two axes; and outside the curve is an excluded triangular region of inconsistency, where flexibility and negotiated collective involvement coexist. The two axes themselves constitute the privileged lines of evolution, that is to say two real paradigms. The first involves external flexibility associated with direct hierarchical control. This leads to some kind of Taylorist form of organization of the labour process, without the social counterparts of Golden Age Fordism. We call this paradigm *neotaylorism*. The second involves 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, that of Volvo, to reorganize itself following these principles, in social-democratic Sweden. This factory is closed today.

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. 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 form of postfordism?

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 that 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 industrialization 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 neocolonial relations existing after independence. This fact had been theorized in a positive form in Ricardo's theory of comparative advantage; it was now theorized in a negative way under the title of 'dependency theory'.

Since then, heterodox models—that is to say models 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 that had become a fordist social democracy. But it was the success of the Newly Industrializing Countries (NICs), which contrasted with the lack of success of the peripheral or even central socialist countries, that led to the change in the general response to the East. 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 co-ordination (or mode of regulation) were based on centralized planning, and that was the 'socialist' aspect. The idea among Stalinist economists was that it was 'the anarchy of the market' that was the bad aspect of capitalism. Taylorist rationality was spread throughout society, but with more organization and hierarchy.

Certainly it was a very efficient model in a situation with an immense peasant reserve army. The economists 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 industrialized and mechanized production replaces pre-industrial forms. With real wages growing slowly an enormous surplus could be accumulated. The centralized organization of demand eliminated the demand

constraint, but with the risk of the appearance of a supply-side constraint. As for labour relations, their initial harshness was progressively stabilized into an acceptable compromise, at least 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 model, hence their similarity and their competition in the 1950s.

However, new problems came to the surface when the reserve army of labour was used up, or had never existed, as for example in Czechoslovakia and the German Democratic Republic. As Kollo has shown, the impossibility of organizing inter-firm relations to the same extent as the relations within firms resulted in bottlenecks and waste.⁷ In return, the anarchy in social planning was reflected in the disorganization 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; tenure of employment was far more secure than under fordism; the non-involvement of the workers seemed to be more the result of management incompetence than of excesses of taylorist 'scientific management'. It became obvious that the Eastern mode of regulation needed more flexibility in its economic organization. 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 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 Cuba and North Korea rushed to embrace this new panacea, forgetting the other side of the problem: the internal organization of the labour process.

The newly industrialized countries: where are they going?

The 1970s witnessed the appearance of the newly industrialized countries, Brazil and South Korea being the most important examples. Certain aspects of their development models have been examined elsewhere under the rubric of 'primitive taylorization' and

'peripheral fordism'.⁸ The first model, primitive (or bloodthirsty) taylorization is concerned with the relocation of limited sections of industries to the regions that had social formations with very high rates of exploitation, the output being in general exported to the more advanced countries. In the 1960s, the free zones and the work-shop 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 mechanization. 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 mobilizes a largely female work-force, 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 forms of anti-worker repression (official unions, a lack of social rights, imprisonment and torture of opponents).

The second developmental model, peripheral fordism is, like fordism, 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 capitalist countries.

Take the two examples of Brazil and South Korea. In Brazil in the 1980s the debt crisis blew up, followed by a movement towards democracy. The resulting evolution is fairly complex. On one side the democratization 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 stabilize in this permanent storm involving the marginalized 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 taylorization, a consolidation of peripheral fordism, and even an evolution towards fordism with local kalmazarist 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 Taylorization in Korea was not under the pressure of a reserve army of peasant labour. All the labour force was hired with a flexible work contract, but formally so. Moreover, the state was careful to painstakingly plan its export capacity to ensure that debt could be repaid. Women were terribly overexploited, 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 Taylorization to peripheral Fordism. 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.⁹

The democratization 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

Having discussed some examples of the different national models of the evolution of capital-labour relations, we now move to discuss the possibility of the coexistence of nations with different models in a world that is more and more internationalized—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 that 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 than to a present reality. It is either assumed (with Adam Smith and with 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 that has the knowledge—the theory of absolute advantage—or it is assumed that there is a curve of production possibilities that 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' of capital and labour are extraordinarily mobile, 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.

Earlier 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 organization 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 of an artificial one such as the protection of fledgling 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 that, 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, by making other products and specializing in industries where they also had an absolute advantage (most often geographic) over England. The first international division of labour is thus an inter-industry one.

Even the relative failure of import-substitution models up to the 1960s, be they Soviet or Latin-American models, can be explained by this theory of absolute advantage. Neither the former 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 that over time have become much higher.

In the NICs, primitive Taylorization, 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 mechanized sections of the Fordist labour process can be localized much more competitively in low-cost regions or countries. Is this the revenge of the Ricardian theory of comparative advantage? Far from it.

It is not a question of comparative advantages between endowments peculiar to each industry, but of 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, organized within

a single technological paradigm. The fordist division of labour can in effect be schematized into three kinds of task: (1) conception, in engineering and organization of work; (2) skilled fabrication (in particular of machines); and (3) unskilled fabrication or assembly, or more generally routine tasks including services.

To put it in another way, the standardized procedures typical of fordist mass production allow there to be a geographical disjunction between these three kinds of tasks. From this it is 'natural' to localize 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; routine production is more viable where qualified labour is cheapest. Theoretically then, it is a question of absolute advantage in the division of labour within an industry.

The reality of the dynamism of the newly industrialized countries cannot however be reduced to this economic schema of relative labour costs. Industrial organization, transport costs and the localization of markets continue to be important. 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, 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 unorganized as a result of repression or tradition (female labour) and moreover to be trained in 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 chapter, a socially constructed characteristic of local society.

The coexistence of postfordisms

When at the beginning of the 1980s the fordist compromise was openly criticized 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 capital-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) flexibilization of the wage contract. 'Euro-sclerosis' was criticized 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 recognized that models for escaping from the crisis based on the 'mobilization of human resources' outperformed those based on flexibility. Today in the late-1990s 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 its competing paradigm?

The fact that it is not yet possible to say which will predominate 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). 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 Eastern 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 organize 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 postfordism.*

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 organization, 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, emphasizing 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 of specializing, as in the second international division of labour, in different kinds of tasks within the same paradigm and within the same industry; but rather of producing 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 which is not elaborated here.¹⁰ It can simply be noted that the adoption of the 'flexible' and 'negotiated involvement' paradigms corresponds, respectively, to defensive and offensive strategies, on the part of the elites of the nation or region considered, for getting out of the crisis.

Suppose that in industry it is possible to produce, at the same cost, in either of the two ways: firstly by 'mobilizing 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 very much like the classical production function which combines capital and labour. 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 organization as they are with an ohnist organization which requires higher wages.

In order to be more competitive, and produce a commodity 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, to find workers with a greater level of involvement and skill. But industries are not all equally sensitive to changes in flexibility

and involvement. In an industry 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 mobilization of human resources. The opposite is true in a standard industry where involvement does not matter very much.

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 in understanding 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 (neotaylorist) 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 only the relative positions of countries are 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 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 short in 'core' countries. As industries become more standard, they are found in countries that 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'.

Europe: a well-ordered hierarchy

The most important market in the world both in population and in wealth, Western Europe has also been 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. In the 1980s, the only countries to avoid stagnation and unemployment were Norway, Sweden, Austria and Switzerland, that is, countries that were not members of the European Community.

The macro-economics of the single market

The fundamental problem of any economy of work in the single market is that superimposed onto any inter-regional differences in the strategy adopted to escape from the crisis of fordism are the internal European national frontiers. Every country, whatever strategy is adopted at its own level, must balance its external account.

The normal Keynesian considerations (beggars-my-neighbour policies)¹¹ 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 that, 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 organization were everywhere the same, and competition only functioned at the level of wages and 'defensive flexibility'.

This analysis must be modified, though. The application of the 'transposition of Ricardo's theorem' means that each region will tend to specialize in the industries that use most intensively the 'factor' with which the region is best endowed, that is to say either flexible and taylorized 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 European Union 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.

Instead of a reciprocal erosion of the national social compromises by intra-EU 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 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.

The considerations above shed some light on the facts evoked earlier about the relative stagnation of Europe and high unemployment

ment 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 (Germany, but also Italy thanks to its northern and central regions) that are growing by increasing the value of their labour on the international market, and those that are growing by devaluing their labour (mainly the Iberian Peninsula, and partially Britain).

North America: a paradoxical bloc

The first issue of the American continent is that the core that dominates, the United States, is no longer dominant on a world scale, either technologically or financially. The second issue is that since the core and periphery of the continent are engaged in the same industrial paradigm, they can only compete with each other through the degree of flexibility. The worst part of the drama of American industry is that 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 US 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 bloc become apparent. Instead of the constituent countries being aligned from the core to the periphery along the line from kalarism to neotaylorism, 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 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.

The evolving Mexican economy has been characterized by the following changes: firstly, a general increase in flexibility of the wage relation for the old 'labour aristocracy' in state enterprises—this flexibilization is accompanied by a rationalization in the organization of labour; and secondly, 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 taylorization. During the 1980s these two movements converged, the import-substitution sector changed to an export-led one, and the primitive taylorization sector of the Northern border became stronger, increased its mechanization and was increasingly

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 Japanization, or is presented as such by the elites, in the sense that it combines flexibility and the mobilization of the responsibility of shop-floor workers. In fact, Japanese firms do not have, at the same time, an ohnist organization of production and a flexible regulation of the wage relation. Moreover, the organization of work, even at the Japanized Ford factory at Hermosillo, has little in common with ohnism. There is no question of negotiating the involvement of workers in the perfecting of the productive process. It is a case of inciting 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.

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

The less dogmatically liberal Clinton administration reconsidered the whole issue, and without denying the United States' interest in extending the North American Free Trade Agreement to Mexico, demanded and obtained in July 1993, 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 mobilization of human resources. These solutions have succeeded in winning on a global scale, permitting the regions where they exist to consolidate their central positions in the framework of postfordism. They have even allowed such countries 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 contracts.

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 EU, has been forced to adopt the rudiments of a 'social space' more constraining than that of Maastricht.

NOTES

3 Economic restructuring: the new global hierarchy

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