may well alter their stance in the light of other characteristics which seem to justify other alliances. This real political solidarity or material recognition of being in roughly the same position must of course be taken into account.

But when labels make us forget concrete analysis, and when we enter into metaphysical debates as to whether such and such a country belongs in such and such a category because it is 'already fairly extraverted', because 'it exports so many raw materials' or 'so few industrial goods'; we are heading for disaster. Matters become even worse when basic characteristics are deduced from these categorizations; when we are so blinkered that we see only those aspects of the concrete reality of a country that correspond to the appropriate category (foreign companies controlling the export sector, etc.).

Beware of labels. Beware of the International Division of Labour. Look at how each country 'works', at what it produces, and for whom it produces it. Look at how and why specific forms of wage relations and regimes of accumulation developed. And be very careful about 'casting a net' over the world in an attempt to grasp relations between regimes of accumulation in different national social formations.

2
The Fortunes and Misfortunes of the Central Regime of Accumulation: Fordism

Armed with these caveats, we can now attempt to make sense of the latest episodes in a tale full of sound and fury and drenched in blood and mud: the invention and diffusion of capitalism, the expropriation of the peasantry, 'bloody legislation' and forced labour, the rediscovery of slavery and serfdom, the violent colonization of the greater part of the world, crises, strikes and wars ...'

In order to do so, we must first describe our conceptual tools (our 'scaffolding'), which we derive from the work of Marx. We will then further specify the notions of 'regime of accumulation' and 'mode of regulation' via a brief examination of the twofold rupture brought about in both the production process and overall regulation by the emergence (again from crisis and war) of a central regime which came into its own in the post-1945 period: Fordism. Then we will examine the international economic configuration when that model was in its heyday and outline the first stages in its crisis.

This chapter will of necessity be schematic. Quite apart from the fact that its major theses have been developed elsewhere,[1] its main purpose is simply to set the stage for the rest of the book. If we wish to understand what is happening 'on the periphery' (pragmatically defined as that part of the world in which the regime of accumulation found in the most developed capitalist countries has not been able to take root), we must begin by looking at what is happening in the advanced capitalist world. As we shall see, different things happen there at different times, as it is not always the same contradictions that come to the fore. We can therefore expect considerable mutations to occur in the relationship between the central regime of accumulation and the rest of the world, and we can expect those mutations to open up the *possibility* (not the necessity) for different periphery-centre relations and, given local social struggles, for the discovery of different models of peripheral development.

(In Chapter 3 we will go back to what was happening on the periphery while Fordism matured in the centre. Later chapters will take up the thread of the story by examining the development of its crisis, with particular reference to events on the periphery.)

Conceptual Reminders

Marx made his essential contribution by stressing the importance of the social relations established within the process of production. Both his theory of exploitation and his theory of the stages of the development of the capitalist organization of labour derive from that insight. At the same time, Marx was even more aware than most economists of his day of the specific problems raised by the circulation of revenue and products within a market economy. In particular he emphasized that the reproduction of a market (capitalist) economy implies a close connection between the production and circulation of commodities and revenue. It is not sufficient to produce commodities, a buyer must also be found.

Ay, there's the rub. We know that the capitalist mode of production is a combination of two basic relations: commodity relations and wage relations.[2]

Commodity relations. The owners of units of production organize the investment of labour and put the product of that labour on the market. The product of different labour processes takes the form of a value which has to be socially *validated* by being exchanged for money, in other words by being *realized* or sold.

Wage relations. The owners of the units of production buy labour-power from wage-earners in exchange for a quantity of money whose value is inferior to the value added by their labour, the difference between the two being surplus-value. The wage-earners do at least have the advantage of being paid, but in return they have to submit to the work discipline and the organization which the capitalist imposes in the factory.

For the capitalist matters are in a sense more complicated. The *individual* capitalist owns a sum of money which he exchanges for means of production, notably fixed capital (investment) and labour-power. He organizes the process of production, sells the commodities (if he can), and *accumulates* more capital and surplus-value. The initial value he owns is therefore a *value-in-process* and it will in time increase, *provided that he invests and valorizes it correctly.* At the same time, the wage-earner spends his wages and thus reconstitutes his labour-power for the next cycle. Both wage relations and the market division of labour are thus reproduced. We also know that, broadly speaking,[3] *the rate of profit* (the ratio of surplus-value to capital) is positively determined by *the rate of surplus-value* (the ratio of surplus-value to value-added) and negatively determined by the 'organic composition of capital' (the ratio of value added to capital invested). Both these factors are themselves determined by norms of production (which determine productivity and the coefficient of per-capita fixed capital) and by norms of consumption by wage-earners.

But what *social* guarantee is there that all capitalists (or if not 'all', the vast majority of them) will sell their commodities, and that all wage-earners will sell their labour-power? In classical terms, this is the problem of 'social demand'. Now demand is prestructured by the distribution of revenue and by the availability of money to buy the conditions of production. When the product is 'realized' in the form of money, the agents who control the units of production can expand production by reinvesting their turnover and can thereby help to recreate demand, and so on.

Moreover, the times of production and circulation are articulated with another form of temporality: that of technical change, which is itself an effect of the accumulation of capital under conditions defined by the present state of the conflict between those involved in production and distribution, in other words between wage-earners and capitalists. Those conditions are, however, further defined by other social classes (rentiers, small independent producers, etc.). in both 'value' and 'volume' terms, then, the structure of supply and demand is determined by the transformation of both norms of production (per-capita capital, increases in productivity), norms of distribution (division of economic surplus into wages, profits, rent, etc.), and norms of consumption (life-styles of different classes, etc.).

As we have already seen, the term *regime of accumulation* refers to a systematic and long-term allocation of the product in such a way as to ensure a certain adequation between transformations of conditions of production and transformations of conditions of consumption. A regime of accumulation can be defined in terms of a *schema of reproduction* which describes how social labour is allocated over a period of time and how products are distributed between different departments of production over the same period. *Departments* can be defined as divisions within the productive system based on requirements of reproduction and accumulation (but without any necessary reference to the technical constraints of concrete labour). A schema of reproduction is in a sense the skeleton of a regime of accumulation or a mathematical diagram of its social coherence.

In its simplest form, the division involves two departments: Department 1 (production of means of production) and Department 2 (production of articles of consumption). It can of course be further refined into sub-departments. Thus, Department 1 can be subdivided into 'production for Department 1' and 'production for Department 2', whilst Department 2 can be subdivided into 'production for wage-earners' and 'production for the ruling classes' (sometimes referred to as 'Department 3'). If international trade is taken into account, an export department can also be identified. In fact any macroeconomic function of production allows us to identify a corresponding department.[4] The existence within a socio-economic formation of other forms or modes of production which are reproduced in articulation with capitalism further complicates regimes of accumulation.[5] In such cases, subdepartments can be defined in terms of modes of production which help in various ways to perform macroeconomic functions or to create the income of different social classes. Departments are not to be confused with *branches* and *branch circuits*, which relate to the concrete division of the labour process.

In recent years, long-term economic studies have revealed the existence of a wide variety of regimes of accumulation. A regime of accumulation may be primarily *extensive* or primarily *intensive*, depending on whether capital accumulation is a means to expand the scale of production (with constant norms of production) or to further the capitalist reorganization of labour ('the real subordination' of labour to capital) by increasing productivity or the coefficient of capital. It should also be noted that the *centre* of the productive apparatus, in other words the pole which structures the social validation of production, may also shift from one department to another. As Palloix notes,[6] capitalist production has at different times centred upon the exchange of commodities for rent or surplus-value (Department 3), for constant capital (Department 1) and for variable capital (Department 2). Finally, a careful distinction must be made between the centre of the productive apparatus and its '*heart*', the point at which new norms of production develop.

Very schematically, the regime of accumulation which prevailed in the most advanced capitalist countries between the first industrial revolution and the First World War was primarily extensive, and centred upon the extended reproduction of means of production. Since the Second World War, in contrast, the dominant regime has been intensive and centred upon the growth of mass consumption.

A regime of accumulation is not, however, some disembodied entity which exists in the ethereal world of schemas of reproduction. If a schema is to be realized and to reproduce itself for any length of time, there must also be institutional forms, procedures and habits which either coerce or persuade private agents to conform to its schemas. These forms are collectively known as a *mode of regulation*. Not every mode of regulation is suitable for every regime of accumulation. Economic crises, which appear to interrupt extended reproduction for varying periods of time, may in fact be manifestations of a variety of conjunctures.[7]

'Minor crises' simply sanction a latent failure to adjust individual behaviour and expectations to the potentialities and needs of the regime of accumulation. Ultimately, they reestablish the unity of the circuit, and they are a normal element in regulation ('*crisis in regulation*').

'Major crises' indicate that the mode of regulation is not adequate to the regime of regulation either because the emergence of a new regime is being held back by outdated forms of regulation (as in the crisis of 1930) or because the potential of the regime of accumulation has been exhausted, given the prevailing mode of regulation (this is probably true of both the crisis of the late nineteenth century and of the present crisis).

The major crisis of the 1930s can in fact be analysed either as the first crisis in intensive accumulation or as the last crisis in '*competitive regulation*'. That mode of regulation was characterized by the *a posteriori* adjustment of the output of the various branches to price movements, and by price movements which were highly responsive to changes in demand. Wages were adjusted to price movements so that direct real wages were either stable or rose slowly. Such a mode of regulation was relatively adequate to extensive accumulation with only minor changes in norms of production and consumption.

Within that mode of regulation, the tentative search for an outlet for various capitals which could not forecast their collective growth with any accuracy was an ever-present problem, and the possibility of overproduction on either a local or a general scale was a persistent danger: hence the importance of the question of markets, particularly those 'outside capitalism', to which we will return in the next chapter. But in the aftermath of the First World War, the generalization of new forms of work organization (the Taylorist and then the Fordist revolutions) led to unprecedented rises in productivity (of the order of 5 to 6 per cent in France, as opposed to an average of 2 per cent since the first industrial revolution). Under competitive regulation

final demand did not keep pace with the rise in productivity. The boom caused by the enormous increase in *relative surplus-value*[8] in the 1920s gave way to a major crisis of over-production in the 1930s.

Fordism: A Well-Regulated Regime of Accumulation

After the Second World War, an intensive regime of accumulation centred upon mass consumption became generalized because a new '*monopolistic*' mode of regulation incorporated both productivity rises and the corresponding rise in popular consumption into the determination of wages and nominal profits *a priori*. Thanks to the original insights of Gramsci and Henri de Man, this regime is now known as 'Fordism'. The term refers to two phenomena which are theoretically linked but which are also relatively distinct and subject to historical – and, as we shall see, geographical – variations.

In the 1920s, a revolutionary mode of work organization became generalized in the USA and, to a certain extent, in Europe. This was Taylorism, the process whereby the skills of worker collectives were expropriated and systematized by engineers and technicians using methods of 'Scientific Management'. A further step was taken when that systematized knowledge was incorporated into an automatic system, with machines dictating working methods to workers whose initiative had been expropriated. This was the 'productive aspect of Fordism'.[9] It should, however, be noted that the presence of skilled workers was still necessary at every level of the branches that were Taylorized and then Fordized. This was particularly true in the metal-working industries, and even more so in the key areas where 'incorporation' took place, the branches manufacturing industrial equipment goods and machine-tools that constitute the 'heart' of the productive apparatus.[10] It should also be noted that Taylorization presupposed *from the outset* that the labour-force possessed certain skills or at least a certain 'industrial culture'.

Once the process got under way, it led to a rapid rise in labour productivity and, thanks to mechanization, to an increase in the per-capita volume of fixed capital.[11] As we have noted, this rise in productivity led to the over-production crisis of the 1930s. To use a famous formula, mankind had set itself a problem which it took fifteen years and a gigantic conflict between nations, classes and political projects to solve.

It did so by discovering a new mode of regulation which allowed Fordism to develop fully. A new element was introduced: the continual adjustment of *mass consumption* to rises in productivity. This adaptation led to huge changes in the life-style of wage-earners – to its 'normalization' and to its incorporation into capitalist accumulation itself.[12]

After the period of reconstruction in Europe, which was by its very nature extensive, and the Korean War, the OECD countries experienced a new intensive wave which was to last for twenty years and which was to result in a considerable rise in both productivity and in per-capita fixed capital. But this time the rise in the purchasing power of both productive and non-productive wage-earners matched the rise in productivity almost exactly. The rise in productivity was much the same in both departments. Both the organic composition of capital and the sharing-out of value-added (the rate of surplus-value) remained almost unchanged.

More detail will be given later. For the moment, these developments allow us to paint a stylized picture of the 'Golden Age'.

The Golden Age

There are two main aspects to the Golden Age model:[13]

1) Overall technical composition (a rough equivalent to per-capita fixed capital) and productivity in Department 1 rise at the same rate. This 'counteracting influence' of the rising technical composition of capital inhibits the tendency of the organic composition to rise (as the value of machines depreciates, their 'volume' increases).

2) Consumption by wage-earners and productivity in Department 2 rise at the same rate. Whilst this certainly limits the increase in the rate of exploitation, which would otherwise 'counteract' the falling rate of profit, it also inhibits the tendency towards a crisis of overproduction and under-consumption. Given that the organic composition of capital does not vary, the general rate of profit remains stable, and accumulation can therefore continue at a steady rate.

Until the mid-1960s, these conditions were more or less met in the developed countries. But there was no *a priori* reason why that should have been the case. It was almost a miracle that the first condition was met,[14] and statistical data shows that in the major industrialized countries it was decreasingly true from the 1960s onwards. On the other hand, a more or less explicit policy of regulating wage relations by normalizing increases in purchasing power did help the second condition to be met, particularly as the stabilization of wage relations was accompanied by the extension of wage-earning to most activities, including management, market and financial regulation, and social control.[15]

The regulation of wage relations took different institutional forms in the various OECD countries, but it usually involved:

1) binding collective agreements applying to all employers within a given branch or region (and thus preventing competition from low wages); 2) minimum wages established by the State, with periodic increases in purchasing power; and 3) a social insurance system financed by compulsory contributions guaranteeing all wage-earners a permanent income, even if they no longer received a direct wage because of illness, retirement or unemployment.

Regulation of wage relations was accompanied by major changes in relations between banks and industrial firms. As a result, firms could transfer production from one branch to another and at the same time maintain prices in declining branches. Similarly there were important changes in the role of the State, above all in the management of wage relations (the welfare state and direct wage relations) and the management of money.

Private banks acquired the ability to issue money by providing credit for both firms and households. This 'credit money' anticipates the validation of values-in-process and is