

Thousands of miles away, other dictatorships are being shaken as the demand for democracy grows, probably for the same reasons. It is to be hoped that the women and men of today will learn from the lessons of the past, that they realize that the crisis in Fordism has entered a new phase, and that it now affects peripheral Fordism too. This will make the transition all the more difficult for Brazil and, perhaps one day, for South Korea. It is to this changing conjuncture that we now turn.

## 6 From the Configuration of Success to Crises in Peripheral Fordism

The spectacular successes enjoyed by Brazil, South Korea and Mexico in the seventies, and, in rather less unexpected fashion, the crisis of the dictatorships in Southern Europe, have completely discredited the thesis of the 'development of underdevelopment'. The 'periphery' can indeed industrialize, grow and successfully compete with the centre, even in the most modern manufacturing branches. Between 1970 and 1978, average yearly growth in manufacturing output in the NICs ranged from 4.6 per cent in Portugal and 6.8 per cent in Mexico to 18.3 per cent in South Korea. In South Korea, per capita GDP rose from \$70 to \$2,281 between 1960 and 1980. Life expectancy in Hong Kong (75 years) is now higher than in West Germany. If we compare these figures with those for countries in the centre, the 'socialist' countries, or the old import-substitution countries, 'peripheral Fordism' appears to have been an overwhelming success, and the more of it as exports play a more important role in its growth.

It might be objected that inequalities are increasing, that primitive Taylorization involves atrocious working conditions, and that happiness cannot be measured in terms of GDP. These are valid arguments for citizens and militants, but they are irrelevant to an economist. The argument of the sixties was that autonomous capitalist growth in manufacturing was simply *impossible* in dominated countries. It

has to be answered in the same terms, in other words in capitalist terms.

It must, however, be stressed that in world terms, we can count the number of successful NICs on our fingers. India is a giant and the seventh greatest economic power in the world (France is the sixth greatest), and its exports are mainly industrial, yet it provides its population with an average individual income lower than that of Burundi. Individual incomes in China are 20 per cent higher. Nigeria, Iran and Turkey, which were expected to play a 'sub-imperialist' role, have either become bogged down in spectacular fashion or have exploded. 1980 saw the rise of workers' struggles and an end to growth in South Korea, Brazil and Poland. In 1981, Mexico showed that the model was financially bankrupt, and a host of other countries suspended their debt payments. Factors relating to the local and the global crisis in Fordism were beginning to combine with peripheral factors.

In order to understand the chain of events leading from the configuration of success to the configuration of crisis,<sup>1</sup> we have to go back to the particular form taken by the general crisis in Fordism, and to how the states of the North managed the crisis in the seventies, after the first oil shock. This does not mean explaining what happened on the periphery in terms of the needs of the centre. In Chapter 4 we analysed industrial growth in the South, after we had simply noted at the end of Chapter 2 that the crisis, which affected the North first, was not yet catastrophic. We now have to see how this non-catastrophic stage of the crisis could, in macroeconomic terms, contribute to the expansion of peripheral Fordism insofar as it is an element within an international regime. We will then return to the South in order to show that, even before the turning point of the crisis in the North at the end of the 1970s, the storm clouds were gathering over peripheral Fordism – the dominant logic within local regimes – and that its subsequent crisis cannot simply be explained in terms of the evils of monetarism. Finally, we will demonstrate that central monetarism can nonetheless be held largely responsible for the strangling of peripheral Fordism.

## Social-Democratic Management of the Crisis and Compulsory World Keynesianism

The second half of the seventies was marked by a strange contradiction. On the one hand, the crisis in Fordism was getting worse. On the other hand, Keynesianism was still a force, even though it had lost its base in both national and international terms. Its survival was the main element which gave the period its flavour, and we must therefore begin our analysis with Keynesianism.

### *Social-Democratic Management of the Crisis*

In my *L'Audace ou l'enlèvement*, I describe the first phase in the management of the crisis as 'social democratic'. Social democrats were in power in both Germany and Sweden. In Britain, Callaghan's Labour government was in power. The United States had Carter, a Democrat, as president. In France, Italy and Japan conservative governments adopted similar policies, either because trade-union pressure forced them to do so, or because their economic convictions led them to do so. In general terms, the dominant idea was that Keynesianism was still a valid policy. The mainstream was to borrow (like Sweden) or to issue an international credit money (like the USA) and wait for the oil shock to wear off, for supply to adjust to the deformed structure of world demand, and for the OPEC countries to begin ordering civil and military equipment goods.

At the national level, it was the Carter government which followed the policy of 'absorbing' the oil shock most consistently. Carter's USA was the 'locomotive' (to use the fashionable OECD terminology of the day), and it supplied the world with an internationally recognized credit money, even if its international purchasing power was increasingly coming under threat. In the domestic sphere, the USA succeeded in creating millions of jobs, most of them in the tertiary sector, despite, or because of, the conspicuous absence of increases in productivity. Western Europe and especially Japan supplied machinery and household equipment goods not only to the USA but also to the OPEC countries and to those

countries in the South which had in their turn adopted peripheral variants on the Fordist model we examined earlier.

Naturally enough, America's 'lax monetary policy' led to a rapid fall in the value of the dollar, but the USA was not concerned; the devaluation helped to finance expansion at home. Because of the low import coefficient, it produced only a slight rise in inflation. The dollar's nominal fall against other currencies thus led to a *real* devaluation of American costs and restored American competitiveness, which had been compromised because the dollar had been over-valued for so long. And American expansion was so great that both Japan and Europe took good care not to protest too much.

Finally, international advisory bodies on economics, and especially the OECD, were recommending a policy of 'rotating Keynesianism'. Each of the three poles would take it in turn to play the role of 'locomotive', stimulating home demand so as to promote world growth. At their regular summit meetings, the 'Big Seven' and clubs of leaders like the Trilateral Commission argued that a coordinated policy of Keynesianism could act as a substitute for an explicit institutional form of monopolistic world regulation.

### *Relative Paralysis in Europe*

Whilst the USA protected its rising employment by means of a rapid devaluation and paid the price of stagnation in productivity, Japan adopted the same devaluation policy (and again, it had no dramatic effect on internal inflation, and for the same reasons: the low share of imports), but used it to increase its market share and to flood the world with Fordist manufactures (cars, hi-fi equipment, optical equipment, etc.). Taking 1970 as a base of 100, US industrial output reached 141 at the beginning of 1979, whilst Japanese output reached 148. European countries certainly experienced remarkable growth for a period of crisis, but their rates of growth were lower than those of either the USA or Japan. In 1979, the index for France and Italy was 130; that for Germany and the UK, which had started out from a lower level in 1975, was 116.

The reasons for this slow growth are of course deep-rooted, and relate to the gravity of the industrial crisis as well as to the fact that European varieties of Fordism are both 'heavy' in terms of capitalist intensity and 'rigid' in terms of social relations. As the present study is deliberately confined to the 'non-specifically national' dimensions of the crisis, we will concentrate on only one major obstacle to implementing the 'Keynesianism + devaluation' tactic in Europe: the perverse mechanisms of 'austerity + internationalization'.

At the industrial level, Europe is increasingly integrated but it is still fragmented into distinct national spaces, *each* of which has to solve its balance of payments problem, in terms of production, these spaces are increasingly 'complementary'; they are, that is, obliged to buy from one another. Under these conditions, devaluation loses much of its efficacy because 'price effects' are not so marked. In order to improve its balance of payments, each country has to import less, consume less and invest less. Even as 'substitute products' are concerned (goods produced and exchanged by all countries), competition through pricing and volume adjustment within Europe, which has become a vast free-trade zone with no common social policy, leads to a remarkable form of protectionism which operates through wages restrictions and 'competitive stagnation'. In other words, it leads to austerity.

Unit wage costs (the ratio between the purchasing power of wages, direct or indirect, and productivity) had until now been the key variable in the monopolistic regulation of Fordism. Unit wage costs had to be regulated in such a way as to compromise neither the valorization of capital nor the realization of output. Compulsory measures therefore had to be used to prevent firms within the same national space from competing with one another by reducing their unit costs. Hence the institutional forms of monopolistic regulation of wage relations: guaranteed minimum wages, collective agreements, etc. No such mechanisms exist at the European level; there is simply an undertaking, which is, it is true, written into the preamble of the Treaty of Rome, to promote 'an *accelerated* rise in the standard of living' (my emphasis).

The various European countries therefore found themselves in a situation of competitive regulation against each other, which meant that the efficacy of internal Keynesianism was compromised earlier than in other countries. We will see later how this configuration of stagnation became more widespread as a result of the second oil shock. But for the moment, this local configuration existed with the favourable context of world Keynesianism. As we have already seen, its most spectacular effect was the rise of peripheral Fordism. We will return to that topic later, but first we will look at the changes that were taking place at the very heart of the regime of accumulation.

#### *The Deepening Crisis and the Search for a New Way Out*

Gambling on a stimulation of effective demand, without any corresponding rise in productivity at a time when per capita investment was still growing, was not without its effects. It meant that the nominal revenue distributed was in excess of the real growth of socially-produced value. Elsewhere I analyse the divergence between nominal values and underlying economic developments in terms of the distinction between 'exoteric' and 'esoteric'.<sup>2</sup> It is this divergence which leads to the take off of inflation. Values-in-process were pre-validated, but their overall growth could no longer be ensured as compatible. This did have a positive effect: the prevalidation of values-in-process 'come what may' warded off the imminent crisis, and in fact growth reached the maximum levels permitted by the rise in the 'capital coefficient', in its organic composition. But inflation spiralled back on itself, increasing capital costs and gradually strangling investment. Very few jobs were created, and the increasing cost of the welfare state as expenditure per head of active population rose, reduced overall profitability still further. The question had more to do with profitability than with demand. There were three possible solutions: cutting wages (which was for the moment out of the question), restoring productivity, or reducing the cost of constant capital and especially fixed capital per worker.

Relocation to the Third World was, as we have seen, one

of the means used to achieve the first two objectives (by extending the scale of production). As relocation was accompanied by increased demand in the former periphery, its effects were not particularly recessive. But at a deeper level, wage relations in the industrialized countries were beginning to be affected by two different developments, one regressive and the other potentially progressive.

The first was an 'indirect' attempt to reduce wage costs. It was made not by a frontal assault on the central core of the working class or on wage-earners in the tertiary sector, but by segmenting the labour market, by increasing the number of jobs which were not covered by collective agreements, etc. This well-known tendency will not be analysed here.

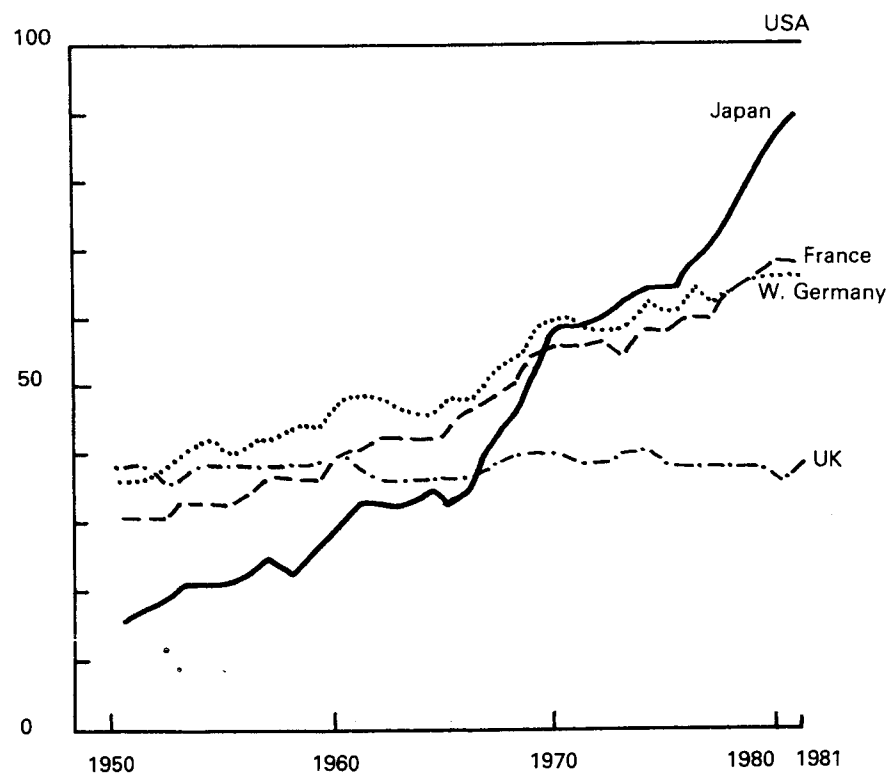
The second development was a search for new sources of productivity within the labour process itself. The 'technological revolution' of electronics promised some new sources; other sources implied a challenge to Taylorist principles. Tasks were combined in new ways, and individual and collective interest in increased efficiency was promoted.

This obviously takes us away from the area of 'developments within the crisis' and into an almost unexplored world of blind alleys. The object of this tentative search was a new principle of work organization that could provide the basis for a new regime of accumulation. It was no longer a matter of catching up with or imitating a pre-existing model (the model of the USA in the fifties). Graph 2 (overleaf) shows that at this time Japanese productivity rose in spectacular fashion. Japan left standing those competitors who were still trying to catch up with the USA (France and Germany). This is even more obvious if we look at the different branches in more detail (Table 7 overleaf). Japanese capitalism did not simply catch up with the USA; it overtook it by discovering a new post-Fordist way of translating the skill of its producers, both manual and intellectual, into productivity.

But, as with Taylorism, these seeds of the future need a favourable social and macroeconomic environment if they are to grow. The monetarist shock was to prove the point in negative terms.

At the time, however, what was striking was the differ-

Graph 2  
Per Capita Levels of Productivity in Manufacturing Industry: 1950-81.  
Base 100 = USA



Source: CEPII.

entiation taking place within the former centre. Whereas France and Germany continued to catch up with the USA in Fordist terms,<sup>3</sup> and whereas Japan made a spectacular leap forward, the UK, which had gained no ground during the period of Fordism's maturity, fell seriously behind. The fact that central Fordism was being reshaped was obvious from the *difference* in productivity levels, but that in itself tells us nothing *in absolute terms* about the changes taking place in the labour process or about their effect on the Fordist model's profitability crisis. What, for instance, happens to the apparent growth in productivity or the fall in the capital coefficient? Despite all the weaknesses one would expect to find in this kind of statistics, CEPII's 1984 report does provide

Table 7  
Per Capita Levels of Productivity in Manufacturing Branches:  
1980. Base 100 = USA

	France	W. Germany	UK	Japan
Metal-working branches	62	64	28	122
of which:				
Steel and metal	70	91	38	137
Mechanical engineering	71	65	27	117
Electrical and electronics	50	40	26	135
Vehicles and transport* equipment	55	55	21	94
Non-metal working branches	73	70	47	59
of which:				
Building materials	71	76	38	47
Textiles	64	69	46	48
Wood, paper and misc.	63	67	42	66
Chemicals	78	79	46	101
Food and agriculture	76	48	54	43
Manufacturing industry	69	67	38	90

\*Relative changes occur very rapidly in this branch. In 1981, Japan overtook the USA, reaching a relative level of 101.

Source: CEPII, 'Dualité, change et contraintes extérieures dans cinq économies dominantes', *Economie Prospective Internationale*, 13-14, 1983.

us with some indications.<sup>4</sup>

In the period 1973-79, annual growth rates of productivity in manufacturing in all countries were between one and three points lower than they had been in the period 1960-73 (in the USA, productivity rose by little more than one per cent). These rates were not to return to that level, although certain countries did enjoy a slight acceleration in 1979-83. Even so, they rose to only 2.5 per cent in the USA and to only 7 per cent in Japan. Over the same period, fixed capital in Japanese manufacturing industry grew by almost 6 per cent annually, whereas employment in manufacturing rose by 1.5 per cent per year until 1979, and then fell by 1 per cent per year from 1979 to 1981. The technical