

composition of capital thus rose considerably, but so did productivity; the capital coefficient⁵ for manufacturing industry, which had risen by 1.3 per cent per year between 1963 and 1973, fell by 2 per cent per year between 1974 and 1982.

Once again, it seems that Japan really had found a way out of the profitability crisis. On the other hand, the 'reduction' of the organic composition of Japanese industry may have been the effect of an intersectorial redistribution towards lighter industries like electronics (and if it is the case, it cannot have a lasting effect). This did not happen anywhere else: the capital coefficient continued to rise in the UK (+4 per cent per year in 1974-82), in France (+2 per cent) and in the USA (+1.4 per cent). In Germany, it continued to rise but did so more slowly (+0.3 per cent).

As a result, the rate of return⁶ in Japanese manufacturing industry started to rise again, slowly, in the middle of the decade (but it had fallen by half in the period 1970-75), whereas in the USA it continued to fall by 2.7 per cent per year until 1982 (2.1 per cent for all industries). It fell by 3 per cent in West Germany and France, and by 5 per cent in the UK. Whilst something new was obviously happening in the midst of the crisis (witness Japan), the 'social-democratic' phase had done nothing to reverse the underlying tendencies which had caused it.

Compulsory World Keynesianism?

After this brief glance into the heart of the crisis in Fordism, we are in a better position to understand the conditions that gave rise to the 'miraculous' success of peripheral Fordism. It will help if we go back to the conditions, described in Chapter 3, that led to the relative failure of early import-substitution policies. We can ignore internal causes, except, perhaps, the weakness of the home market. The point is that the peripheral sub-Fordism of the fifties was unable to insert itself competitively into the world market for manufactures because the extremely rapid success of Fordist production methods in the centre had resulted in a productivity gap. Wage differentials, which were to become very great after

twenty years of growth in the centre, did not yet compensate for that. Finally, it was impossible to finance the purchase of capital goods because the terms of trade were worsening for economies relying upon primary exports.

By the end of the sixties, these restrictions had been partly lifted. Initially, the NICs turned to the foreign market (primarily the North), beginning with those branches which required little investment: this was 'primitive Taylorization'. In the seventies, this strategy encountered an unhopd-for conjuncture. First, productivity slowed considerably in the North, but in the first NICs productivity began to accelerate as Taylorist and Fordist methods became more widespread. They began to 'catch up' at a historically unprecedented rate. Secondly, in the North, 'social-democratic' crisis management meant that the purchasing power of wages continued to rise; in the South, repression kept purchasing power down and in some cases reduced it to below the levels it had reached under populist regimes at the end of the import-substitution period.

The NICs thus became increasingly competitive (as compared with the centre) as their unit wage costs fell, but this did not lead to any reduction in demand as the expanding markets of the centre opened up.

But this was not all. Investments have to be financed. The rise in oil rents totally reversed the terms of trade, and that provided some countries with a solution. Mexico, however, was in fact the only oil-exporter NIC. The other oil exporters were buying 'final' goods (including warplanes) or fully-equipped factories which did not go into production immediately. What is more important, they were investing their money abroad or in private banks.⁸ The increase in oil rents was initially another burden for the vast majority of candidates as NICs, which were either investing or had already begun to make the transition from primitive Taylorization to peripheral Fordism.

As we have seen, direct investment on the part of multinational companies also provided a partial solution. The third source of finance came from oil rents themselves, as they were 'recycled' to the non-oil NICs by multinational banks. The extraordinary complacency ('benign neglect') with which the USA used its own currency to pay for its trade

deficit allowed the OPEC countries to accumulate a considerable surplus in petrodollars, most of it available for deposit in banks in America or the Middle East. The USA in fact had a trade deficit both with OPEC and with certain developed countries (Japan and West Germany). As Japan and Germany therefore had a net surplus, they could begin to issue loans in their own currencies. It was therefore definitely the issue of dollars which increased the amount of money available on the world market. For the sake of convenience the term 'petrodollars' is used to describe this money, but it would be more accurate to speak of xenodollars or even xencurrencies, as the yen and the mark are playing an increasingly important role.

Now there are no restrictions on the use that can be made of xenodollars. They provide the banks with liquid assets in the form of a universally accepted currency. By 'monetizing' American deficits and pseudo-validating both sustained growth and OPEC surpluses, they provide the basis for a new international credit issue. A bank operating in the Euro-market, or rather the 'xeno-market' (a financial market which is not regulated by the system that issued the currency in which it is dealing) can take the gamble of lending more xenodollars than it holds in reserve because all the loans made by the world banking system are eventually deposited within the system itself. As bankers say, 'credits make deposits.'

The only obstacle preventing an *individual* bank from opening new credits is the need to anticipate the balance between the credits flowing back and the withdrawals its own depositors can be expected to make at any given moment. By issuing *private* credit money it prevalidates the real growth stimulated by the loans it makes. The original xenodollars it holds (those issued by the American monetary system itself) function as a safety device. In other words, it requires a certain coefficient of pseudo-validation to underwrite its own prevalidations. But there is no specific way of regulating the ratio of the international credit money supply (payable in dollars) to its base – the cumulative American deficit owed to the banks.⁹ Such regulation is possible only in a national framework.

After the first oil price shock, international banks oper-

ating on the xenomarkets found that they had a liquidity surplus; they were holding a large amount of the central currency issued by the central country, and they began to look for borrowers.¹⁰ They found them, both in the deficit countries in the North (but not in the USA) and especially in the NICS. Credit was extended to the NICS because the banks believed that they could industrialize successfully. In other words, the banks prevalidated values-in-process that had been invested in the logic of peripheral Fordism. As we now know, the banks' expectations were unreasonably high. But the loans they advanced did make a major contribution to the establishment of peripheral Fordism as a *real* component element in world accumulation.

Not only did the NICS sell their products to surplus countries, which was equivalent to making real payments and to wiping out a corresponding share of their debts for good. They also bought capital goods from the centre. They thus helped to validate the expected upturn in accumulation which provided the basis for the credits granted to central countries (primarily the USA). Only one condition remained to be met: if the world banking system's prevalidation of the success of peripheral Fordism was to become a truly world prevalidation, the NICS had to repay their debts by selling their products. Not immediately (that is, after all, the principle behind credit), but eventually. And it was not unreasonable to believe that they would do so, the criterion being the belief that their 'exports/debt service' ratio would improve within a few years.

The international debt economy was, then, based upon two assumptions. In terms of the creation of a mass of international money (xenocredits), it was assumed that capital investment in peripheral Fordism would prove profitable. In terms of the creation of an international money base (primary xenodollars), it was assumed that central Fordism would weather its balance of payments crisis. Like any assumption as to the success of a regime of accumulation, these were self-fulfilling prophecies.

To sum up. During the first phase of crisis management (1973-79), the world configuration was as follows:

*In the OECD countries, and especially in the USA, growth was led by consumption, which was slowing down but not

decreasing; productivity gains were low, and investment was slowing down.

*These countries paid for their imports on credit, and this led to the proliferation of an international credit money (xenodollars) based upon American national credit money.

*Liquid assets lent by surplus banks (OPEC and Japan) to certain countries in the South (NICS) allowed the latter to buy machinery from OECD on credit.

*The NICS hoped to be able to repay their debts by selling their manufactures to OECD and OPEC countries. This seemed reasonable for two reasons: first, productivity was rising very rapidly in these 'new' countries (whereas it was slowing down in the North), and their hourly wage costs were five to ten times lower; secondly the world market was expanding as a result of 'social-democratic' management of the crisis.

Given this ephemeral and extremely fragile configuration, the NICS were able to reach annual growth rates of about 10 per cent, which is not bad during a major crisis! Moreover, their demand for capital goods from the North more than compensated for job losses in the old industrial countries caused by their increased competitiveness in the consumer goods sector. Thanks to a strange ruse of history, we find here an echo of the virtuous USA-Europe-Japan configuration of the fifties. In a sense, the rise in oil rents, which had been financed by the monetization of America's deficit and then recycled to the NICS by private banks, acted as a '*compulsory Marshall Plan for the Third World*'.

It must, however, be stressed that both private recycling and the peripheral Fordist regime itself are extremely fragile mechanisms. The model was highly dependent upon the growth of world demand, and it applied to only a limited number of countries in the South. It also destabilized their internal structures. Moreover, *private banks* could not *regulate* the regime in any stable fashion.

Insofar as it was based upon a pure credit money issued by banks which assumed that the regime could be completed, this model displays some of the features of monopolistic regulation. But insofar as it was based solely upon a private banking system, without any central institution to regulate the volume of pseudo-validation and the liquidity coefficient, it had more in common with the proliferation of

private domestic credit during the boom periods of nineteenth-century competitive regulation. It presupposed that everything would be fine in terms of demand, that there would never be any clearing problem, that credits and withdrawals, and repayments and deposits would balance out, and that there would never be a frantic search to find 'real' money or a currency that was universally accepted as valid.

The absence of a safety device invalidated these assumptions. The absence of regulation (in the American sense of 'rule-making') led to an accelerated triangular trade between the deficit countries of the North, the surplus countries of the North and OPEC, and the NICS. It allowed and stimulated both the investment of world labour in capitalist wage relations, and the rise of peripheral Fordism. In that sense, Charles-Albert Michalet is quite right when he sardonically comments that, 'The absence of any regulation in the American sense of the term in the Eurobanking system ensured the regulation of world capitalism in the French sense.'¹¹

The crisis in regulation, in other words the monetarist shock, was to be devastating. But before we turn to that, we have to look at the increasing instability in the NICS and, more generally, within the Third World as a whole.

The Clouds Begin to Gather

Summarizing, much less pursuing, Carlos Ominami's courageous attempt to make a case by case (or type by type) analysis of crises is out of the question here.¹² We will therefore simply evoke the most specific difficulties inherent in the logic of peripheral Fordism.

Internal Factors

Without wishing to curry favour from Alfred Sauvy, we have to begin by mentioning the major factor in the crisis affecting virtually the whole of the Third World: the population explosion.

i) Demographic Tensions

For a long time, the anti-imperialist left dismissed this problem out of hand because it clung to an angelic conception of an ideal schema of reproduction: more mouths to feed meant more arms to feed them. Which is perfectly true ... given a permanent regime which ensures that the annual growth of the active population remains proportional to the growth of stock of means of production and to the growth of total production. But the population explosion in the Third World is not the statistical expression of a permanent regime. On the contrary, it represents a *demographic transition* from the old regime (lots of children and lots of premature deaths) to a 'new' regime (few children and greater life expectancy).¹³

It has been argued that it was the stabilization of the Fordist regime which normalized the size of the family in the North (two children, so that they could fit into the back of the car and would do well at school). But this complex and long-term phenomenon, which began very early in the advanced industrial countries, by no means coincided with the appearance of new medical techniques, new norms of hygiene and changes in life style in the Third World. These factors affected only a small proportion of the population of the Third World, and the old demographic regime is still dominant. It is true that the transition has now begun and that the apparently exponential growth in the population has begun to level out.¹⁴ For the moment, improved hygiene is leading to a decrease in infantile and adult mortality, resulting in a *temporary* but substantial increase in the economic burden placed on the active population or, to put it more accurately, in the *dependency rate* (the ratio between children and old people, and the total population between the ages of fifteen and sixty-five). The rise in the dependency rate must be subtracted from growth of productivity of those at work. It reduces the surplus available for improving living standards as a whole. What is more important, it also reduces the product that would otherwise be available for accumulation.

This phenomenon is partially responsible for the stagnation affecting the overwhelming majority of low or

middle-income countries. It does not, however, excuse their failure to implement agrarian reforms which would allow the 'under-employed' to live, provide a living for their families, and save. Nor does it excuse their indulgence in 'Pharaonic' projects which waste savings and credits, but which create few jobs. But it is a real phenomenon, including some NICs, from Mexico to Algeria.¹⁵

ii) The Difficulties of Peripheral Fordism (Continued)

It is against this already difficult background that the logic of peripheral Fordism compounds both the difficulties of Fordism itself and those of peripheral countries.

In terms of the labour process, the problems of the early import-substitution policies re-emerge in a more or less attenuated form. It is difficult to achieve the productivity levels which are the norm in the centre, though wage differentials compensate for that to a large extent. As new heavy industries emerge, the cost of importing investment goods rises. Increased protectionism in the centre and the appearance of more sophisticated new technologies sometimes lead to a process of reverse relocation. Low capital-intensity technologies located in the periphery meet with increasingly fierce competition from highly automated technologies, which are of necessity located in level-1 and -2 spaces. This is very clear in the case of the textile industry, where mass production is now often more profitable in the centre, and as an emergent trend in the electronics industry.¹⁶

In terms of demand, with slow growth in the centre (cars being a typical example), the main market for mass production lies in the growth of wage income in the periphery. But although wage-earning has become widespread, wages themselves are held back by the need to compete both with the centre and other peripheral countries. As the economic burden on the active population increases, wages have to be distributed within the extended family, and consumption is therefore restricted to the most elementary items. Furthermore, unplanned urbanization and the destruction of subsistence agriculture mean that many middle-income countries can no longer feed themselves. Foodstuffs have to be imported, and this leads to a vicious circle: everything