Opinions are sharply divided. Some critics, like Toinet, argue that the USA is in decline and living beyond its means, and that by contracting debts, it is simply putting off the day of reckoning. Others claim that the USA is about to make the breakthrough to the post-crisis regime of accumulation of the future.[54] Although the first argument is probably closer to the truth, it has yet to be proved. Marie-France Toinet bases her claims on the falling profit and investment levels of the period 1973-79, whereas Philippe Lefournier is arguing on the basis of a rise in profits and investment over the two-year period of recovery (1983-84).

As in Brazil (or rather, as in Chile and Argentina), much of the capital transferred to the USA is obviously squandered in defence spending, while the high dollar is an inducement to import luxuries.[55] The polarizing nature of the regime of accumulation means that it is probably not socially stable in the medium term, and it is far from certain that it is stable in macroeconomic terms. But industry is being transformed as the strong dollar encourages specialization in 'grey matter' industry and allows traditional industries to re-equip cheaply. The motor industry, the most Fordist of all, is also being transformed along the lines described earlier in this chapter. Chrysler is negotiating wage cuts and specializing in the top of the range. Ford is gambling on relocation (building Escorts in Brazil and selling them in northern Europe), whilst General Motors, in association with Japanese companies, is trying to master new automated processes.[56]

Although information technology continues to flourish, all the other branches of US industry appear to be losing ground as a result of competition from Japan, Italy and Germany. Overall labour relations have regressed in face of brutal employer 'take backs'.[57] The average age of plant is considerably less than it once was, and plant is now newer than it is in Japan (but this development largely occurred under Carter). But capital intensity continues to increase. Despite the short-term effect of the sharp reduction in the labour force during the recession, total productivity and even manufacturing productivity do not seem to have emerged from the torpor into which they have been plunged for over a decade. If the United States is indeed the 'Brazil of the eighties', the 'miracle' may well lead to a rude awakening.

The Third Configuration

It remains for us to take stock of the new configuration produced by this rather dubious miracle. It is highly contradictory. The USA is both absorbing world surplus-value and providing an outlet for that same surplus-value. In other words, the USA is promoting an export-led recovery in other countries and at the same time preventing an investment-led recovery; it is, that is, appropriating world surplus in kind. All this is being done on credit, which suggests that we will see a fourth configuration when the dollar falls and when the USA has to export to repay its debts. However, sufficient unto the day is the evil thereof.

Local regimes of accumulation do of course diffract the present configuration to a large extent. Very schematically: Japan is both exporting and investing, while Europe exports, but with slowing investment and overall stagnation.[58] The Third World is more fragmented than ever. Some countries are exporting, but not accumulating, or accumulating less than before. Others are exporting and de-accumulating. Still others have gone under. We will come back to these points.

For the moment, we will restrict the discussion to the countries of the 'centre'. Japanese productivity and profitability continue to rise. Like the USA in the fifties, Japan is now the world's biggest creditor.[59] It is in a position to lend to its clients (including the USA), who can therefore buy superior Japanese goods. Its expansion is great enough to allow profits to be ploughed back, despite the high public deficit. If problems of socio-political regulation do not destroy the consensus, and if its foreign markets grow fast enough to prevent South Korea from compromising its export trade, Japan may have found a way out of the general crisis in Fordism. But unlike the USA in the fifties, it will not show the rest of the world the way.

Europe, in contrast, is now totally paralysed by its obsolete institutional forms. Without going into details as to how wage relations have changed in each country,[60] mention should be made of the absurd constraints imposed by EEC institutions on each separate country. As Jacques Delors contritely put it at a forum organized by *L'Expansion* in January

1984, 'For several years to come, our growth rate will have to be 1 per cent lower than everyone else's.' In fact there is no corrective mechanism, other than competitive stagnation, to compensate for the trade deficit accumulated by any country that grows more quickly than its partners. In the absence of any political consensus as to how to bring about a concerted recovery, expansion will have to be directed towards countries outside the EEC. Whilst the USA attracts European exports (though the threat of protectionism is becoming more open), Europe's other big markets (the Eastern bloc, the Middle East, Africa and Latin America) are shrinking, as they too adopt an austerity policy.[61] Even more so than Japan, Europe is unable to retain its trade surpluses, which are absorbed into loans to America. There is therefore little accumulation in Europe.

In Which it is Shown that Becoming Poor is Neither a Necessary nor a Sufficient Condition for Paying One's Debts

One major pole imports and monopolizes credit, a second exports, and the third is stagnating. It is within the interstices of this new configuration, which limited growth in world trade to 2 per cent in 1983 and 8 per cent in 1984, that peripheral Fordism has to adjust. But it is not enough to describe the configuration in terms of variations in trade flows. The stocks of the productive forces, debt levels and other factors change from one configuration to another. The massive rise in debt levels due to the monetarist shock (second configuration) is still one of the Third World's great liabilities. And the third configuration leaves them few new credits; credit has taken flight for the USA.

And so, the countries of the Third World pay, come what may. The poorer they become, and the more they owe, the more they pay. The logic of the Shylocks of the world market is implacable: a dollar costs a pound of flesh. Between 1980 and 1983, per capita income fell by 6.8 per cent in the Third World as a whole. It fell by one third in western Asia, by 10 per cent in Africa and Latin America, but in east Asia it rose by 10 per cent. Debt repayments involve a huge transfer of

resources from South to North,[62] and the effects are all the more serious in that the demographic transition has yet to be completed. On top of that, the Third World has to cope with natural disasters and the 'bloody providence'[63] that have such devastating effects when social conditions degenerate. The Sahel and Northeast Brazil are ravaged by famine. What Marguerite Duras calls the 'absolute evil' of leprosy is on the increase and is leaving the hideous imprint of social relations on the bodies of human beings.

Disgust, shame and outrage are not enough. We have to understand, and that means going back to the implacable logic of economics. For the purposes of this book, we can restrict the discussion to the avatars of peripheral Fordism.

It is not difficult to understand how debt repayments reduce the share of GDP available for consumption and investment within a given country, or how they determine the use that can be made of domestic product. But why do they also seem to reduce the *total product*, or at least per capita revenue? The connection between debt repayments and impoverishment is not as clear as it might be. If I earn 5000 francs a month and have to pay back 1000 francs, I have only 4000 francs to spend. But, due to debt repayment, it is as if my income falls to 4500 francs and that I am left 3,500 francs to spend ...

We have to start again. When people pay, they are certainly paying for something, namely the reimbursement of their debts. Debt-servicing, expressed as a percentage of exports, peaked in 1982 and then began to fall (except in Africa and the Middle East, which have nothing to sell). Taking the non-oil developing countries as a whole, debt-servicing fell from 25 to 20 per cent in 1983. In Latin America, it fell from 55 to 45 per cent in 1984, much to the delight of the IMF.

Why the improvement? First, when countries cannot pay, they do not pay, and, as we shall see, the international banking system can do nothing about it. Second, as imports fall very sharply, the trade balance improves. In Latin America, imports fell by a startling amount: almost one third. And that is the main condition the IMF imposes in exchange for rescheduling: 'economic adjustment'.

The IMF should not be turned into a scapegoat, even if, at

the level of domestic politics, it is sometimes convenient to make it take the blame for 'austerity' and at the same time, everyone – including the left – admits in private that the irresponsibility of the local leaders made austerity inevitable.[64] Besides, the underlying *principle* behind such an institution is beneficial, if not essential, and in a better world order, it would have a greater role to play. Private regulation by the multinational banks led to catastrophe, which simply goes to show that it is impossible to manage credit-money in a completely fragmented system. In the first configuration, all the banks lent at the same time; in the second and third, they would have refused the NICs new credits, had it not been for the IMF. A single institutional form cannot at the same time create credit-money on the basis of private gambles and ensure that all those gambles are coherent.[65] It could not, of course, do anything about the money supply, but it could encourage or discourage prevalidation.

The whole problem centres upon how the IMF, or more precisely the team of orthodox technocrats which make it up, plays its role. The IMF claims that other institutions such as the World Bank are responsible for development, and that its own policy is therefore simple: short-term adjustment. In concrete terms this means: 1) cutting public spending, wages and domestic credit so as to hold back the volume of growth, and therefore imports; 2) real devaluation (higher than the rate of inflation) to discourage imports and encourage exports.

A further question now arises: does IMF policy explain the relationship between debt repayments and impoverishment? Do increased repayments lead to a pointless reduction in total output (including repayments, or in other words exports)? The simple answer is 'yes'.

It is immediately obvious that the first set of measures are by definition in contradiction with growth. They are in fact equivalent to leaving existing capital fallow, particularly as local activity is directed towards the home market. In the medium term, these measures can mean only one thing: 'gunboat diplomacy'.[66] 'You may no longer produce for yourselves; you have to produce for us.' This is a short-sighted policy, even for the advanced capitalist world; as we have seen, the advanced countries profited greatly from the NIC

miracle of the 1970s. And for the people concerned, it is quite disastrous.

The basic hypothesis behind the policy of using stagnation to achieve adjustment implies a constant elasticity ratio between imports and domestic product. Assuming that hypothesis, and taking into account various other hypotheses as to the growth of foreign markets and as to the share of those markets that various countries might hope to win, CEPII has attempted to calculate what would happen if the policy were successful, if, that is, the interest was repaid and the balance of payments did improve.[67] The results are very instructive. Assuming a reasonable world growth and assuming that the countries of the South simply stopped their debts increasing (or balanced their current payment account, including interest) in 1985, per capita GDP would remain stationary for a whole decade in Southern Europe, Mexico and North Africa. It would fall by 3 per cent *per year* in Brazil and by 2 per cent in the rest of Africa. In the rapidly developing regions of Asia, it would rise by only 3 per cent.

Only a *fall* in the import coefficient can provide a way out, for not everyone can win a share of the market at the same time. 'But', says the IMF, 'that is precisely the aim of the other side of our policy: devaluation.' Elsewhere I discuss at length the benefits of devaluation (I take the case of France, but the same considerations apply to the USA, Japan and Italy).[68] There are two preconditions for a successful devaluation.

It must be real, in other words it must not be immediately swallowed up by domestic inflation. In many 'dollarized' countries,[69] this precondition cannot be met. Many incomes are directly indexed to the dollar, and the result is a vicious circle of devaluation and inflation which leads eventually to hyperinflation. Even the possibility of being 'better indexed' than others to the dominant foreign currency can lead to a massive redistribution of income.[70] It is possible that this will happen in Brazil. Devaluation failed to keep pace with inflation between 1980 and 1982, and in 1983 the rate of devaluation was 25 per cent above the inflation rate![71] Who gains? Those who can invest in financial assets. Who loses? Wage-earners, whose wages are adjusted every six months. As prices triple in a year, they lose 42 per cent

of their purchasing-power within six months. Yet again, the short-term policies of the IMF, which always insists that wage-earners are responsible for inflation, whereas they are in fact the 'worst-indexed',[72] not only work against the people but lead to a general recession. To quote Talleyrand, 'If there is one thing worse than a crime, it is a mistake'.

The second precondition depends upon the 'price elasticity' of foreign trade. If real devaluation is to have any positive effect, 'substitutions' (goods which can be produced and exported as easily as they can be imported) must outweigh 'complementarities' (goods which have to be imported if the rest of the economy is to function). But 'complementarities' are by definition dominant in a subordinate country within the international division of labour. Reducing imports therefore means reducing accumulation and leaving existing plant idle (for lack of spare parts, etc.). The application of the econometric tests devised by Gylfason and Risager to a sample of developed and developing countries confirms this diagnosis.[73] In industrialized countries, devaluation has a favourable effect on both the external account and domestic output; in developing countries, it has a favourable effect on the external account (though this is not true of Argentina, for the reasons we looked at earlier), but it also reduces domestic output.

In their dealings with the IMF, NICs therefore do all they can to limit the short-term adjustments they have to make if they are to be given credit, and behind the scenes they apply the only reasonable policy: they go on investing so as to modify the import-export structures of their economies. They do not, however, all have the same room to manoeuvre.

At one extreme, we have South Korea, which was already very export-orientated at the time of the 1980 crisis. The adjustments introduced after the military coup d'état (wage-cuts, devaluation) had therefore only a minor effect on domestic growth and made up for the ground that had been lost in terms of competitiveness. South Korea and the other Asian NICs (including the 'second-wave' countries) were the main beneficiaries of the new configuration. They were bound up with the expanding pole (Japan) and had an insatiable market for their exports (the USA). They also had

huge markets with few debts close to hand in India and China. Now that it was no longer under IMF tutelage, South Korea systematically went ahead with its import-substitution policy and adapted its export sector to more lucrative activities. The share of traditional labour-intensive industries in exports fell from 53 to 39 per cent; steel rose from 4 to 10 per cent, ships from 6 to 15 per cent, and electronics from 9 to 12.5 per cent. The country could even afford the luxury of a recovery on the home market.[74]

At the other extreme, we have Argentina. The ships and planes purchased with the money borrowed by the dictatorship are at the bottom of the sea off the Falklands. The country does not have the plant to adjust to exports, as the IMF insists it must do. Argentinian democrats have only one card left in their hand: a political rejection of IMF policy. 'Let's not talk about what we owe. Let's talk about what we can pay, given that our national income must go on rising. We suggest that no more than 15 per cent of our exports should be devoted to debt-servicing.' This is the position defended by Aldo Ferrer, amongst others.[75]

In between the two extremes, we have Brazil. The IMF's deflationary policy cost Brazil dear. One third of all workers in the São Paulo area lost their jobs. The area of land devoted to foodcrops shrunk, and that devoted to export crops grew. Poverty spread from the countryside into the cities.[76] But the results are there. In 1981 Brazil was already a surplus country and in 1984, it had a trade surplus of $13 billion (the IMF had asked for a surplus of $9 billion). But the IMF is still not happy: the results could not really be attributed to the effects of the policies it had dictated, and besides, those policies had not been fully implemented. Brazil has begun to reap the expensive harvest of Geisel's dictatorial developmentalism. In four years, the oil bill was cut by half, thanks to the discovery of the Campos field and to the use of substitutes to fuel such as alcohol from sugar. Financial strangulation encourages import-substitution, and the reduction in export credits discourages the import of luxuries. If, as Castro sardonically notes, IMF policy had been applied during the first oil shock, Brazil would not have been able to adjust so well to the second.[77]

A policy which adjusts the exploitation of workers to the