threatened and the USA, which began the postwar era by using anti-communism and militarism as a vehicle for geopolitical and economic stabilization, soon found itself facing the problem of 'guns or butter' in its own fiscal economic policy.

But in spite of all the discontents and all the manifest tensions, the centrepieces of the Fordist regime held firm at least until 1973, and in the process did indeed manage to keep a postwar boom intact that favoured unionized labour, and to some degree spread the 'benefits' of mass production and consumption even further afield. Material living standards rose for the mass of the population in the advanced capitalist countries, and a relatively stable environment for corporate profits prevailed. It was not until the sharp recession of 1973 shattered that framework that a process of rapid, and as yet not well understood, transition in the regime of accumulation began.

9

From Fordism to flexible accumulation

In retrospect, it seems there were signs of serious problems within Fordism as early as the mid-1960s. By then, the West European and Japanese recoveries were complete, their internal market saturated, and the drive to create export markets for their surplus output had to begin (figure 2.3). And this occurred at the very moment when the success of Fordist rationalization meant the relative displacement of more and more workers from manufacturing. The consequent slackening of effective demand was offset in the United States by the war on poverty and the war in Vietnam. But declining corporate productivity and profitability after 1966 (figure 2.4) meant the beginnings of a fiscal problem in the United States that would not go away except at the price of an acceleration in inflation, which began to undermine the role of the dollar as a stable international reserve currency. The formation of the Eurodollar market, and the credit crunch of 1966–7, were indeed prescient signals of the United States' diminished power to regulate the international financial system. It was at about this time too that import substitution policies in many Third World countries (particularly Latin America), coupled with the first big push by multinationals into offshore manufacturing (particularly in South-East Asia), brought a wave of competitive Fordist industrialization to entirely new environments, where the social contract with labour was either weakly enforced or non-existent. International competition thereafter intensified as Western Europe and Japan, joined by a whole host of newly industrializing countries, challenged United States hegemony within Fordism to the point where the Bretton Woods agreement cracked and the dollar was devalued. Floating and often highly volatile exchange rates thereafter replaced the fixed exchange rates of the postwar boom (figure 2.5).

More generally, the period from 1965 to 1973 was one in which the

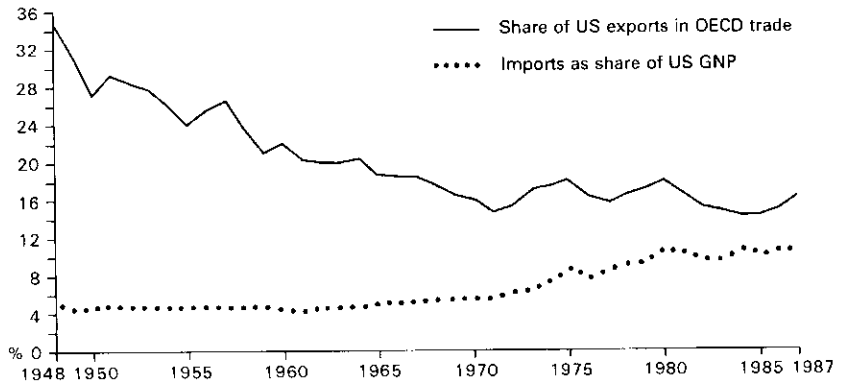
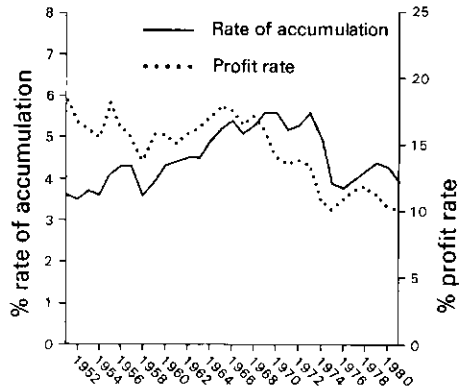


Figure 2.3 US share in OECD trade and manufacturing imports as a percentage of GNP in the USA, 1948–1987
(Sources: *OECD, Historical Statistics of the United States and Economic Reports to the President).*

inability of Fordism and Keynesianism to contain the inherent contradictions of capitalism became more and more apparent. On the surface, these difficulties could best be captured by one word: rigidity. There were problems with the rigidity of long-term and large-scale fixed capital investments in mass-production systems that precluded much flexibility of design and presumed stable growth in invariant consumer markets. There were problems of rigidities in labour markets, labour allocation, and in labour contracts (especially in the so-called 'monopoly' sector). And any attempt to overcome these rigidities ran into the seemingly immovable force of deeply entrenched working-class power – hence the strike waves and labour disruptions of the period 1968–72. The rigidities of state commitments also became more serious as entitlement programmes (social security, pension rights, etc.) grew under pressure to keep legitimacy at a time when rigidities in production restricted any expansion in the fiscal basis for state expenditures. The only tool of flexible response lay in monetary policy, in the capacity to print money at whatever rate appeared necessary to keep the economy stable. And so began the inflationary wave that was eventually to sink the postwar boom. Behind all these specific rigidities lay a rather unwieldy and seemingly fixed configuration of political power and reciprocal relations that bound big labour, big capital, and big government into what increasingly appeared as a dysfunctional embrace of such narrowly defined vested interests as to undermine rather than secure capital accumulation.



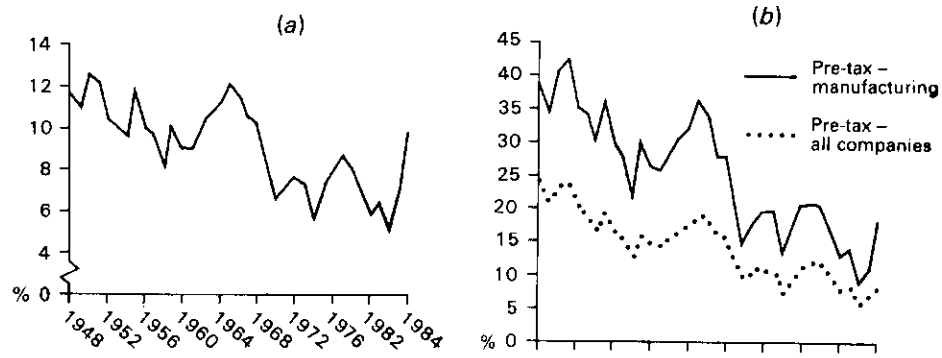


Figure 2.4 Business accumulation and profit rates in the advanced capitalist countries, 1950–1982 (after Armstrong, Glyn and Harrison) and profit rates as (a) percentage of the replacement cost of capital stock and (b) percentage of national income in the USA, 1948–1984
(Source: *Pollin, 1986)*

The momentum of the postwar boom was maintained through the period 1969–73 by an extraordinarily loose monetary policy on the part of both the United States and Britain. The capitalist world was awash with excess funds, and with few diminished productive outlets for investment, that meant strong inflation. The attempt to put a brake on rising inflation in 1973 exposed a lot of excess capacity in Western economies, triggering first of all a world-wide crash in property markets (see figure 2.6) and severe difficulties for financial institutions. To that were added the effects of OPEC's decision to raise oil prices, and the Arab decision to embargo oil exports to the West in the 1973 Arab–Israeli War. This (1) changed the relative cost of energy inputs dramatically, and pushed all segments of the economy to seek out ways to economize on energy use through technological and organizational change, and (2) led to a recycling problem of surplus petro-dollars, that exacerbated the already brewing instability in the world's financial markets. The strong deflation of 1973–5 further indicated that state finances were overextended in relation to resources, creating a deep fiscal and legitimation crisis. The technical bankruptcy of New York City in 1975 – with one of the largest public budgets in the world – was illustrative of the seriousness of the problem. At the same time, corporations found themselves with a lot of unusable excess capacity (chiefly idle plant and equipment) under conditions of intensifying competition (figure 2.7). This forced them into a period of rationalization, restructuring, and intensification of labour control (if they could overcome or bypass union power). Technological change, automation, the search for new product lines and market niches, geographical dispersal to zones of easier labour control, mergers, and steps to acccelerate the turnover time of their capital surged to the fore of corporate strategies for survival under general conditions of deflation.

The sharp recession of 1973, exacerbated by the oil shock evidently shook the capitalist world out of the suffocating torpor of 'stagflation' (stagnant output of goods and high inflation of prices), and set in motion a whole set of processes that undermined the Fordist compromise. The 1970s and 1980s have consequently been a troubled period of economic restructuring and social and political readjustment (figure 2.8). In the social space created by all this flux and uncertainty, a series of novel experiments in the realms of industrial organization as well as in political and social life have begun to take shape. These experiments may represent the early stirrings of the passage to an entirely new regime of accumulation, coupled with a quite different system of political and social regulation.

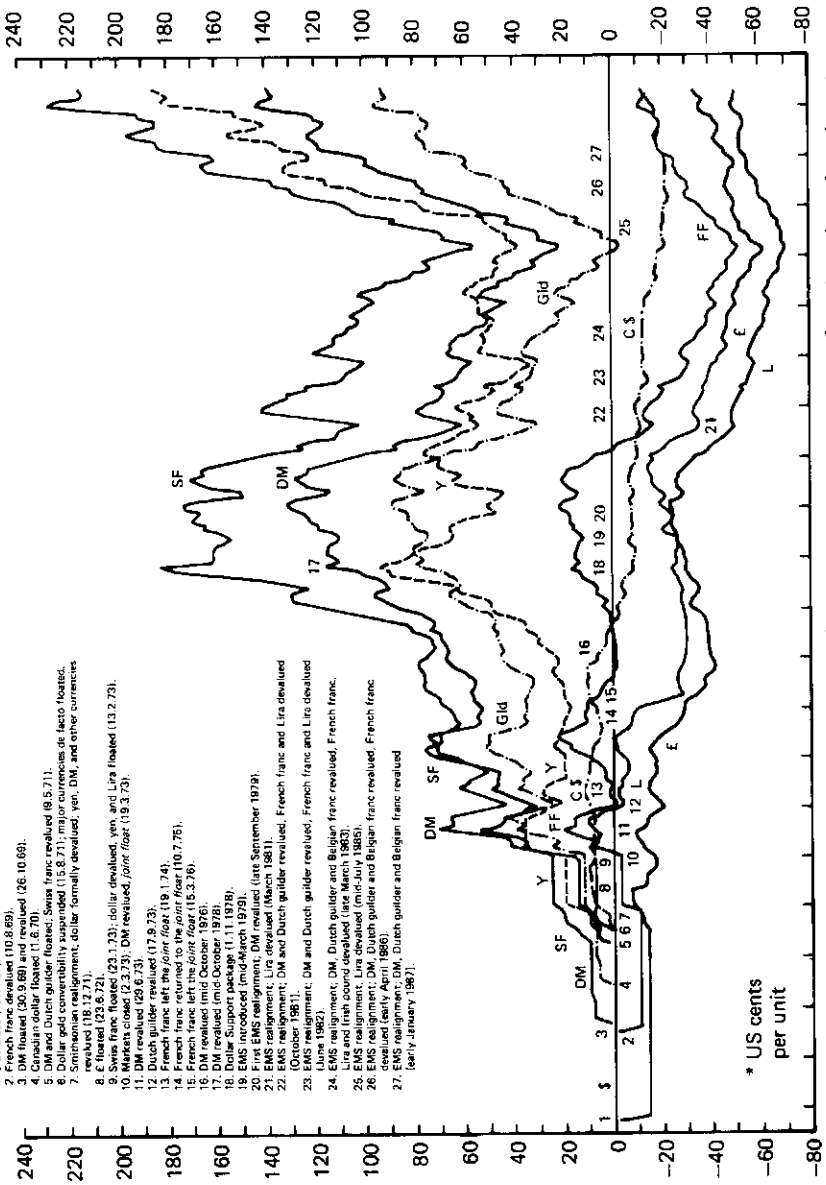


Figure 2.5 Exchange rates of major currencies against the dollar (Source: *OECD*, Economic Outlook, *June, 1988.*)

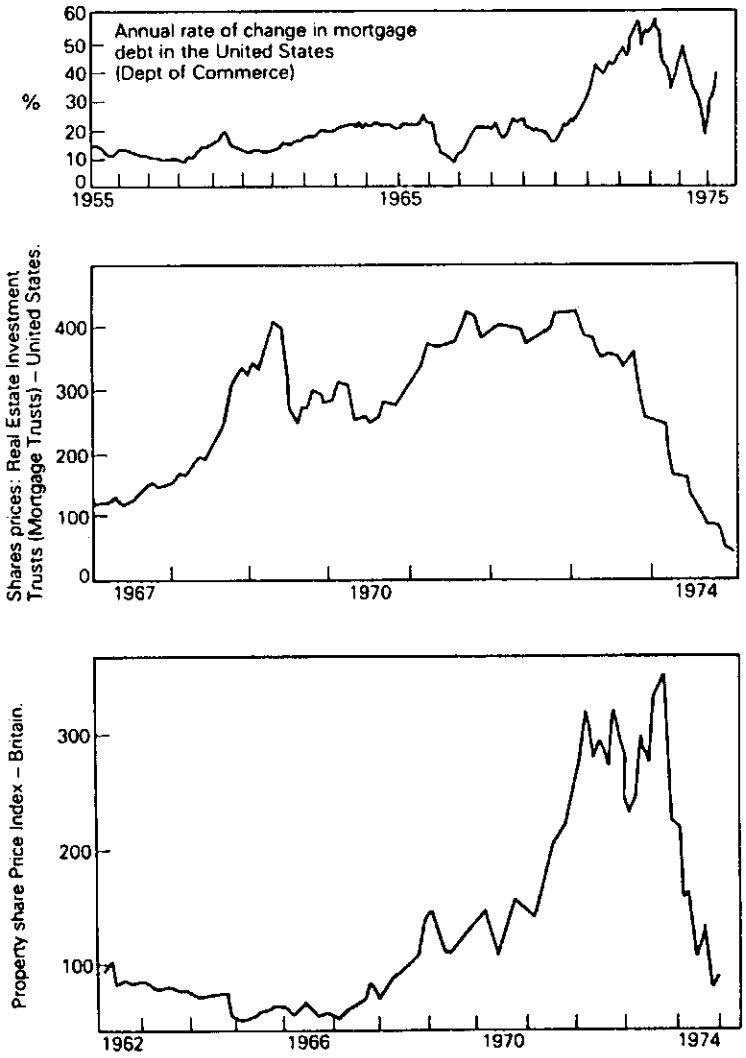


Figure 2.6 Some indices of the property boom and crash in Britain and the United States, 1955–1975. Top: *Annual rate of change in mortgage debt in the United States (Department of Commerce Data)* Middle: *Share prices of real estate investment trusts in the United States* (Source: *Fortune Magazine*) Bottom: *Property share price index in Britain* (Source: *Investors Chronicle*)

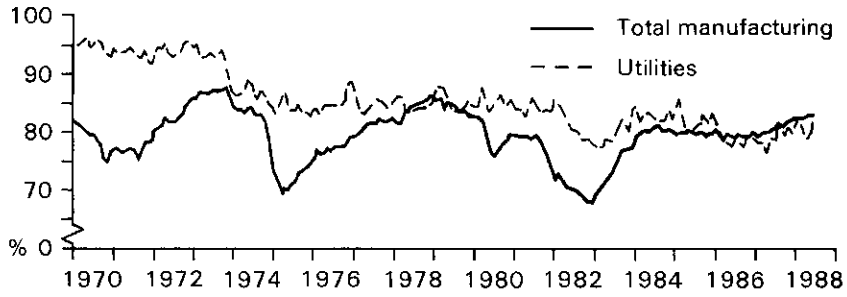


Figure 2.7 Capacity utilization in the United States, 1970–1988 (Source: *Federal Reserve Board*)

Flexible accumulation, as I shall tentatively call it, is marked by a direct confrontation with the rigidities of Fordism. It rests on flexibility with respect to labour processes, labour markets, products, and patterns of consumption. It is characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and, above all, greatly intensified rates of commercial, technological, and organizational innovation. It has entrained rapid shifts in the patterning of uneven development, both between sectors and between geographical regions, giving rise, for example, to a vast surge in so-called 'service-sector' employment as well as to entirely new industrial ensembles in hitherto underdeveloped regions (such as the 'Third Italy', Flanders, the various silicon valleys and glens, to say nothing of the vast profusion of activities in newly industrializing countries). It has also entailed a new round of what I shall call 'time–space compression' (see Part III) in the capitalist world – the time horizons of both private and public decision-making have shrunk, while satellite communication and declining transport costs have made it increasingly possible to spread those decisions immediately over an ever wider and variegated space.

These enhanced powers of flexibility and mobility have allowed employers to exert stronger pressures of labour control on a workforce in any case weakened by two savage bouts of deflation, that saw unemployment rise to unprecedented postwar levels in advanced capitalist countries (save, perhaps, Japan). Organized labour was undercut by the reconstruction of foci of flexible accumulation in regions lacking previous industrial traditions, and by the importation back into the older centres of the regressive norms and practices established in these new areas. Flexible accumulation appears to imply relatively high levels of 'structural' (as opposed to 'frictional')

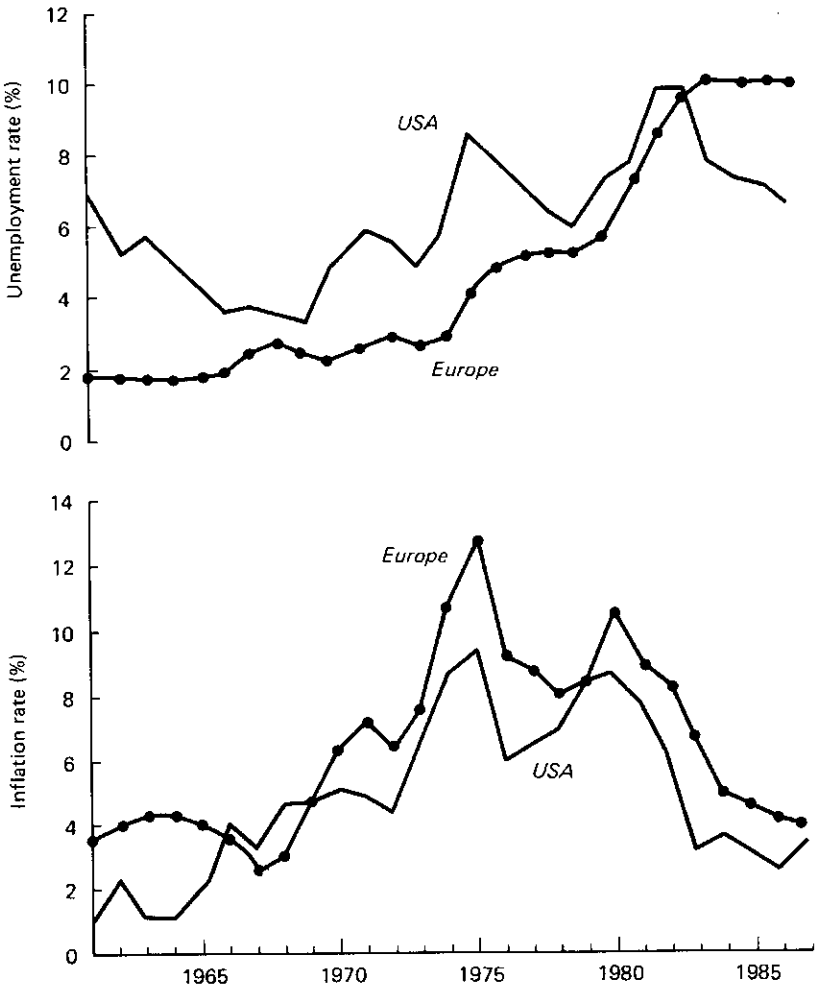


Figure 2.8 Unemployment and inflation rates in Europe and the USA, 1961–1987
(Source: *OECD*)

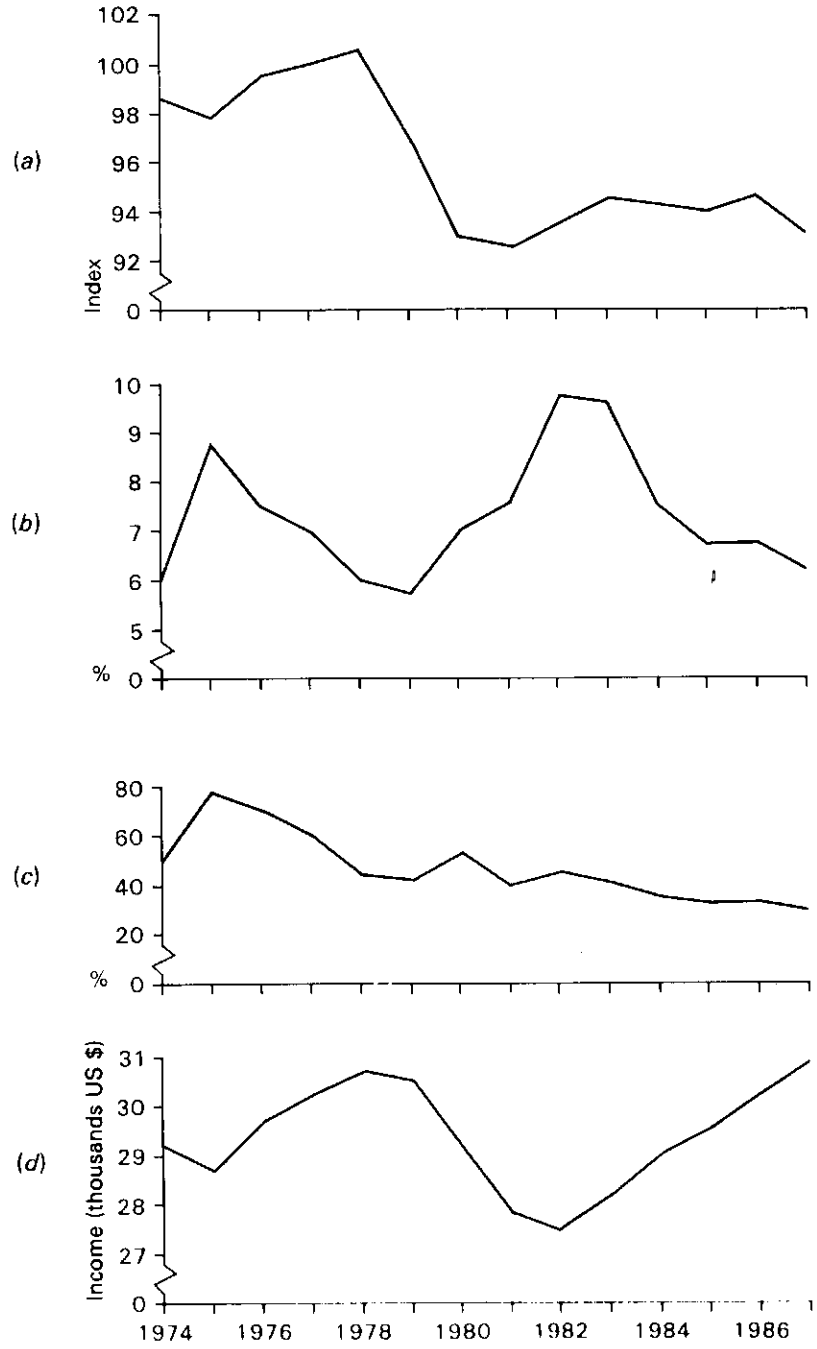


Figure 2.9 (a) Index of non-farm hourly earnings, (b) percentage unemployed, (c) percentage of jobless receiving unemployment benefits and (d) median family incomes in the USA, 1974–1987
(Sources: *Bureau of Labor Statistics and Economic Reports to the President*)

unemployment, rapid destruction and reconstruction of skills, modest (if any) gains in the real wage, (see figures 2.2 and 2.9) and the roll-back of trade union power – one of the political pillars of the Fordist regime.

The labour market has, for example, undergone a radical restructuring. Faced with strong market volatility, heightened competition, and narrowing profit margins, employers have taken advantage of weakened union power and the pools of surplus (unemployed or underemployed) labourers to push for much more flexible work regimes and labour contracts. It is hard to get a clear overall picture, because the very purpose of such flexibility is to satisfy the often highly specific needs of each firm. Even for regular employers, systems such as 'nine-day fortnights,' or work schedules that average a forty-hour week over the year but oblige the employee to work much longer at periods of peak demand, and compensate with shorter hours at periods of slack, are becoming much more common. But more important has been the apparent move away from regular employment towards increasing reliance upon part-time, temporary or sub-contracted work arrangements.

The result is a labour market structure of the sort depicted in figure 2.10, taken, as are the following quotations, from the Institute of Personnel Management's *Flexible patterns of work* (1986). The *core* – a steadily shrinking group according to accounts emanating from both sides of the Atlantic – is made up of employees 'with full time, permanent status and is central to the long term future of the organization.' Enjoying greater job security, good promotion and re-skilling prospects, and relatively generous pension, insurance, and other fringe benefit rights, this group is nevertheless expected to be adaptable, flexible, and if necessary geographically mobile. The potential costs of laying off core employees in time of difficulty may, however, lead a company to sub-contract even high level functions (varying from design to advertising and financial management), leaving the core group of managers relatively small. The *periphery* encompasses two rather different sub-groups. The first consists of 'full-time employees with skills that are readily available in the labour market, such as clerical, secretarial, routine and lesser skilled manual work.' With less access to career opportunities, this group tends to be characterized by high labour turnover 'which makes work force reductions relatively easy by natural wastage.' The second peripheral group 'provides even greater numerical flexibility and includes part-timers, casuals, fixed term contract staff, temporaries, sub-contractors and public subsidy trainees, with even less job security than the first peripheral group.' All the evidence points to a very

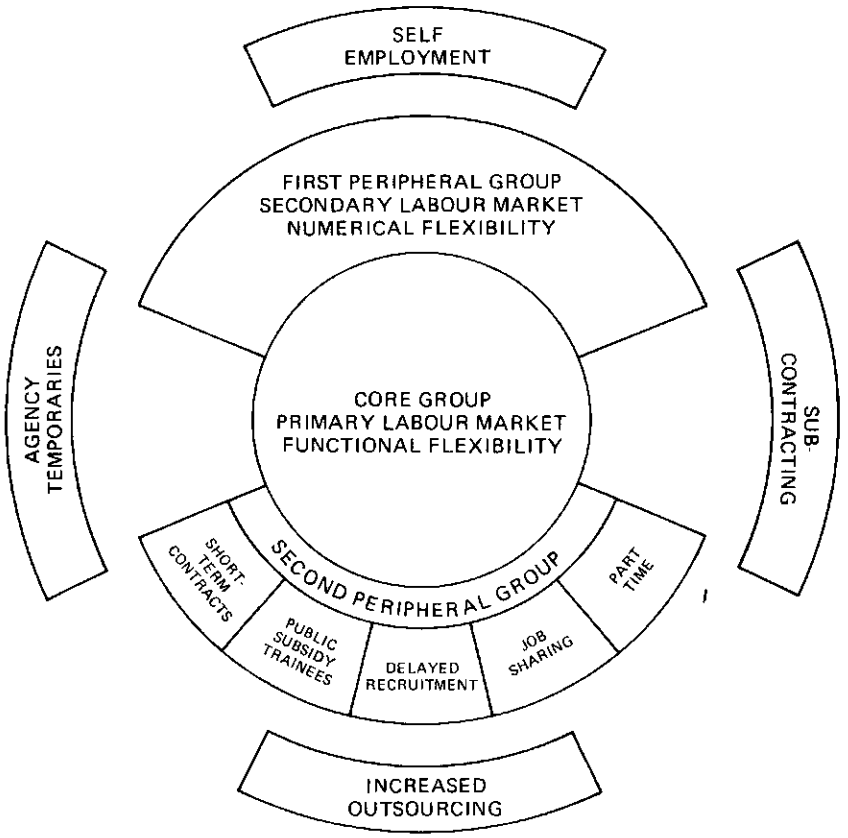


Figure 2.10 Labour market structures under conditions of flexible accumulation
(Source: Flexible Patterns of Work, *ed. C. Curson, Institute of Personnel Management)*

significant growth in this category of employees in the last few years.

Such flexible employment arrangements do not by themselves engender strong worker dissatisfaction, since flexibility can sometimes be mutually beneficial. But the aggregate effects, when looked at from the standpoint of insurance coverage and pension rights, as well as wage levels and job security, by no means appear positive from the standpoint of the working population as a whole. The most radical shift has been either towards increased sub-contracting (70 per cent of British firms surveyed by the National Economic Development Council reported an increase in sub-contracting between

1982 and 1985) or towards temporary rather than part-time work. This follows a long-established pattern in Japan where, even under Fordism, small business sub-contracting acted as a buffer to protect large corporations from the cost of market fluctuations. The current trend in labour markets is to reduce the number of 'core' workers and to rely increasingly upon a work force that can quickly be taken on board and equally quickly and costlessly be laid off when times get bad. In Britain, 'flexible wokers' increased by 16 per cent to 8.1 million between 1981 and 1985 while permanent jobs decreased by 6 per cent to 15.6 million (*Financial Times*, 27 February 1987). Over roughly the same time period, nearly one third of the ten million new jobs created in the USA were thought to be in the 'temporary' category (*New York Times*, 17 March 1988).

This has not, evidently, changed very radically the problems that arose in the 1960s of segmented or 'dual' labour markets, but has reshaped them according to a rather different logic. While it is true that the declining significance of union power has reduced the singular power of white male workers in monopoly sector markets, it does not follow that those excluded from those labour markets, such as blacks, women, ethnic minorities of all kinds, have achieved sudden parity (except in the sense that many traditionally privileged white male workers have been marginalized alongside them). While some women and some minorities have gained access to more privileged positions, the new labour market conditions have for the most part re-emphasized the vulnerability of disadvantaged groups (as we shall shortly see in the case of women).

The transformation in labour market structure has been paralleled by equally important shifts in industrial organization. Organized sub-contracting, for example, opens up opportunities for small business formation, and in some instances permits older systems of domestic, artisanal, familial (patriarchal), and paternalistic ('godfather', 'guv'nor' or even mafia-like) labour systems to revive and flourish as centrepieces rather than as appendages of the production system. The revival of 'sweatshop' forms of production in cities such as New York and Los Angeles, Paris and London, became a matter for commentary in the mid-1970s and has proliferated rather than shrunk during the 1980s. The rapid growth of 'black,' 'informal,' or 'underground' economies has also been documented throughout the advanced capitalist world, leading some to suggest that there is a growing convergence between 'third world' and advanced capitalist labour systems. Yet the rise of new and the revival of older forms of industrial organization (often dominated by new immigrant groups in large cities, such as the Filipinos, South Koreans, Vietnamese, and Taiwanese in Los Angeles, or the Bangladeshis and Indians in East London) represents rather different things in different places. Sometimes it indicates the emergence of new survival strategies for the unemployed or wholly discriminated against (such as Haitian immigrants in Miami or New York), while in others it is more simply immigrant groups looking for an entry into a capitalist system, organized tax-dodging, or the attraction of high profit from illegal trade that lies at its basis. But in all such cases, the effect is to transform the mode of labour control and employment.

Working-class forms of organization (such as the trade unions), for example, depended heavily upon the massing of workers within the factory for their viability, and find it peculiarly difficult to gain any purchase within family and domestic labour systems. Paternalistic systems are dangerous territories for labour organizing because they are more likely to corrupt union power (if it is present) than union power is likely to liberate employees from 'godfather' domination and paternalistic welfarism. Indeed, one of the signal advantages of embracing such ancient forms of labour process and of petty-capitalist production is that they undermine working-class organization and transform the objective basis for class struggle. Class consciousness no longer derives from the straight class relation between capital and labour, and moves onto a much more confused terrain of inter-familial conflicts and fights for power within a kinship or clan-like system of hierarchically ordered social relations. Struggling against capitalist exploitation in the factory is very different from struggling against a father or uncle who organizes family labour into a highly disciplined and competitive sweatshop that works to order for multinational capital (table 2.3).

The effects are doubly obvious when we consider the transformed role of women in production and labour markets. Not only do the new labour market structures make it much easier to exploit the labour power of women on a part-time basis, and so to substitute lower-paid female labour for that of more highly paid and less easily laid-off core male workers, but the revival of sub-contracting and domestic and family labour systems permits a resurgence of patriarchal practices and homeworking. This revival parallels the enhanced capacity of multinational capital to take Fordist mass-production systems abroad, and there to exploit extremely vulnerable women's labour power under conditions of extremely low pay and negligible job security (see Nash and Fernandez-Kelly, 1983). The Maquiladora programme that allows US managers and capital ownership to remain north of the Mexican border, while locating factories employing mainly young women south of the border, is a particularly dramatic

Table 2.3 Different forms of labour process and production organization

Type of production	*Form*	*Basis of exploitation*	*Politics of production*
Self-employed	consultants, artisans and informal sector	exchange of goods and services	individualist and market-led anti-monopoly or state regulation
Co-operative	collectives and co-operatives	internal agreements external exchange	negotiation
Patriarchy	small family firms (sweatshops)	kinship based on age and sex	kitchen politics
Communal paternalism	large domestic firms (sweated labour)	community based on norms, customs, and force	politics of face and status
Bureaucratic paternalism	corporate and state managerial systems	calculating rationality, loyalty, and seniority	career ladder and competition within organizations
Patrimonial	hierarchically ordered empires in production, trade, or finance	power relations and exchange of favours (traditional privilege)	bargaining, mutual gain, and dynastic struggles
Proletarian	capitalist firm and factory system	buying and selling of labour power and control over labour process and means of production	market competition, collective action, bargaining, and class struggle

Source: after Deyo, 1987

example of a practice that has become widespread in many of the less developed and newly-industrializing countries (the Philippines, South Korea, Brazil, etc.). The transition to flexible accumulation has in fact been marked by a revolution (by no means progressive) in the role of women in labour markets and labour processes during a period when the women's movement has fought for both greater awareness and improved conditions for what is now more than 40 per cent of the labour force in many of the advanced capitalist countries.

New techniques and organizational forms in production have spelled danger for traditionally organized businesses, sparking a wave of bankruptcies, plant closures, deindustrialization, and restructuring, that has put even the most powerful corporations at risk. The organizational form and managerial technique appropriate to high volume, standardized mass production were not always easy to convert to flexible system production with its emphasis upon problem solving, rapid and often highly specialized responses, and adaptability of skills to special purposes. Where production could be standardized, it proved hard to stop its moving to take advantage of low-paid labour power in the third world, creating there what Lipietz (1986) calls 'peripheral Fordism.' The Penn Central bankruptcy of 1976 and the Chrysler bail-out of 1981 indicated the seriousness of the problem in the United States. Not only did the list of the *Fortune* 500 top corporations in that country undergo considerable modification, their role in the economy also changed – their global employment remained stationary after 1970 (with a net loss in the United States) compared to the doubling of employment that had occurred in their plants from 1954 to 1970. On the other hand, new business formation in the United States picked up dramatically, doubling in the period between 1975 and 1981 (a deep recession year). Many of the new small businesses inserted themselves into the matrix of sub-contracting skilled tasks or consultancy.

The economies of scale sought under Fordist mass production have, it seems, been countered by an increasing capacity to manufacture a variety of goods cheaply in small batches. Economies of scope have beaten out economies of scale. By 1983, for example, *Fortune* reported that 'seventy-five per cent of all machine parts today are produced in batches of fifty or less.' Fordist enterprises could, of course, adopt the new technologies and labour processes (a practice dubbed 'neo-Fordist' by some), but in many instances competitive pressures and the struggle for better labour control led either to the rise of entirely new industrial forms or to the integration of Fordism with a whole network of sub-contracting and 'outsourcing' to give

greater flexibility in the face of heightened competition and greater risk. Small-batch production and sub-contracting certainly had the virtues of bypassing the rigidities of the Fordist system and satisfying a far greater range of market needs, including quick-changing ones.

Such flexible production systems have permitted, and to some degree depended upon, an acceleration in the pace of product innovation together with the exploration of highly specialized and small-scale market niches. Under conditions of recession and heightened competition, the drive to explore such possibilities became fundamental to survival. Turnover time – always one of the keys to capitalist profitability – stood to be reduced dramatically by deployment of the new technologies in production (automation, robots) and new organizational forms (such as the 'just-in-time' inventory-flows delivery system, which cuts down radically on stocks required to keep production flow going). But accelerating turnover time in production would have been useless unless the turnover time in consumption was also reduced. The half-life of a typical Fordist product was, for example, from five to seven years, but flexible accumulation has more than cut that in half in certain sectors (such as textile and clothing industries), while in others – such as the so-called 'thought-ware' industries (e.g. video games and computer software programmes) – the half-life is down to less than eighteen months. Flexible accumulation has been accompanied on the consumption side, therefore, by a much greater attention to quick-changing fashions and the mobilization of all the artifices of need inducement and cultural transformation that this implies. The relatively stable aesthetic of Fordist modernism has given way to all the ferment, instability, and fleeting qualities of a postmodernist aesthetic that celebrates difference, ephemerality, spectacle, fashion, and the commodification of cultural forms.

These shifts on the consumption side, coupled with changes in production, information gathering and financing, seem to underly a remarkable proportionate surge in service employment since the early 1970s. To some degree, this trend could be detected much earlier, perhaps as a consequence of rapid increases in efficiency in much of manufacturing industry through Fordist rationalization and of the evident difficulty of making similar productivity gains in service provision. But the rapid contraction in manufacturing employment after 1972 (table 2.4) has highlighted a rapid growth of service employment, not so much in retailing, distribution, transportation, and personal services (which have remained fairly stable or even lost ground), as in producer services, finance, insurance, and real estate, and certain other sectors such as health and education (see

Table 2.4 Structure of civilian employment in selected advanced capitalist countries, 1960–1981, illustrating the rise of the service economy

	Percentage of employed population in:								
	Agriculture			*Industry*			*Services*		
	1960	*1973*	*1981*	*1960*	*1973*	*1981*	*1960*	*1973*	*1981*
Australia	10.3	7.4	6.5	39.9	35.5	30.6	49.8	57.1	62.8
Canada	13.3	6.5	5.5	33.2	30.6	28.3	53.5	62.8	66.2
France	22.4	11.4	8.6	37.8	39.7	35.2	39.8	48.9	56.2
W. Germany	14.0	7.5	5.9	48.8	47.5	44.1	37.3	45.0	49.9
Italy	32.8	18.3	13.4	36.9	39.2	37.5	30.2	42.5	49.2
Japan	30.2	13.4	10.0	28.5	37.2	35.3	41.3	49.3	54.7
Spain	42.3	24.3	18.2	32.0	36.7	35.2	25.7	39.0	46.6
Sweden	13.1	7.1	5.6	42.0	36.8	31.3	45.0	56.0	63.1
UK	4.1	2.9	2.8	48.8	42.6	36.3	47.0	54.5	60.9
USA	8.3	4.2	3.5	33.6	33.2	30.1	58.1	62.6	66.4
OECD	21.7	12.1	10.0	35.3	36.4	33.7	43.0	51.5	56.3

Source: OECD Labour Force Statistics

Walker, 1985; also Noyelle and Stanback, 1984; Daniels, 1985). The exact interpretation (or indeed even basic definitions of what is meant by a service) to be put on this is a matter of considerable controversy. Some of the expansion can be attributed, for example, to the growth of sub-contracting and consultancy which permits activities formerly internalized within manufacturing firms (legal, marketing, advertising, typing, etc.) to be hived off to separate enterprises. It may also be, as we shall see in Part III, that the need to accelerate turnover time in consumption has led to a shift of emphasis from production of goods (most of which, like knives and forks, have a substantial lifetime) to the production of events (such as spectacles that have an almost instantaneous turnover time). Whatever the full explanation may be, any account of the transformation of advanced capitalist economies since 1970 has to look carefully at this marked shift in occupational structure.

All of this has put a premium on 'smart' and innovative entrepreneurialism, aided and abetted by all of the accoutrements of swift, decisive, and well-informed decision-making. The enhanced capacity for geographical dispersal, small-scale production, and the pursuit of

custom-markets has not necessarily led, however, to any diminution of corporate power. Indeed, to the degree that information and the ability to make swift decisions in a highly uncertain, ephemeral, and competitive environment become crucial to profits, the well organized corporation has marked competitive advantages over small business. 'Deregulation' (another of the political buzz-words of the era of flexible accumulation) has often meant increased monopolization (after a phase of intensified competition) in sectors such as airlines, energy, and financial services. At one end of the business scale, flexible accumulation has been conducive to massive mergers and corporate diversifications. US companies spent $22 billion acquiring each other in 1977, but by 1981 that had risen to $82 billion, cresting in 1985 at an extraordinary $180 billion. Though mergers and acquisitions declined in 1987, in part as a response to the stock market crash, the total value still stood at $165.8 billion for 2,052 transactions (according to W.T. Grimm, a merger consultant group). Yet in 1988 the merger mania kept going. In the United States merger deals worth than $198 billion were completed in the first three-quarters of the year, while in Europe, de Benedetti of Olivetti's attempt to take over the Union Générale of Belgium, a bank which controlled about one third of that country's productive assets indicated the global spread of merger mania. Most of those employed by the *Fortune* 500 top companies in the USA now work in lines of activity that have nothing to do with the primary line of business with which their company is identified. 'The duty of management is to make money, not steel' announced James Roderick, Chairman of US Steel, in 1979, and he promptly launched into a campaign of acquisitions and expansions to diversify that company's activities. At the other end of the scale, small businesses, patriarchal and artisanal organizational structures have also flourished. Even self-employment, which had declined steadily in the United States after 1950, underwent, according to Reich's (1983) account, substantial revival after 1972, expanding by more than 25 per cent in less than a decade (a trend which encompassed everything from casual work by the unemployed to highly paid consultants, designers, craft workers and specialists). New systems of co-ordination have been put in place either through an intricate variety of sub-contracting arrangements (that connect small firms to large-scale, often multinational, operations) through the formation of new production ensembles in which agglomeration economies have become of increased significance, or through the domination and integration of small businesses under the aegis of powerful financial or marketing organizations (Benetton, for example, engages in no production directly, but simply operates as a powerful marketing machine, which transmits commands to a wide array of independent producers).

What this suggests is that the tension that has always prevailed within capitalism between monopoly and competition, between centralization and decentralization of economic power, is being worked out in fundamentally new ways. This does not necessarily imply, however, that capitalism is becoming more 'disorganized' as Offe (1985) and Lash and Urry (1987) suggest. For what is most interesting about the current situation is the way in which capitalism is becoming ever more tightly organized *through* dispersal, geographical mobility, and flexible responses in labour markets, labour processes, and consumer markets, all accompanied by hefty doses of institutional, product, and technological innovation.

The tighter organization and imploding centralization have in fact been achieved by two parallel developments of the greatest importance. First, accurate and up-to-date information is now a very highly valued commodity. Access to, and control over, information, coupled with a strong capacity for instant data analysis, have become essential to the centralized co-ordination of far-flung corporate interests. The capacity for instantaneous response to changes in exchange rates, fashions and tastes, and moves by competitors is more essential to corporate survival than it ever was under Fordism. The emphasis on information has also spawned a wide array of highly specialized business services and consultancies capable of providing up-to-the-minute information on market trends and the kind of instant data analyses useful in corporate decision-making. It has also created a situation in which vast profits stand to be made on the basis of privileged access to information, particularly in financial and currency markets (witness the proliferating 'insider trading' scandals of the 1980s that struck both New York and London). But this is, in a sense, only the illegal tip of an iceberg where privileged access to information of any sort (such as scientific and technical know-how, government policies, and political shifts) becomes an essential aspect of successful and profitable decision-making.

Access to scientific and technical know-how has always been important in the competitive struggle, but here, too, we can see a renewal of interest and emphasis, because in a world of quick-changing tastes and needs and flexible production systems (as opposed to the relatively stable world of standardized Fordism), access to the latest technique, the latest product, the latest scientific discovery implies the possibility of seizing an important competitive advantage. Knowledge itself becomes a key commodity, to be produced and sold to the highest bidder, under conditions that are themselves

increasingly organized on a competitive basis. Universities and research institutes compete fiercely for personnel as well as for being first in patenting new scientific discoveries (whoever gets first to the antidote for the Aids virus will surely profit handsomely, as the agreement reached between US researchers and France's Pasteur Institute over the sharing of information and royalties clearly recognized). Organized knowledge production has expanded remarkably over the past few decades, at the same time as it has been increasingly put upon a commercial basis (witness the uncomfortable transitions in many university systems in the advanced capitalist world from guardianship of knowledge and wisdom to ancillary production of knowledge for corporate capital). The celebrated Stanford Silicon Valley or the MIT–Boston Route 128 'high-tech' industry connections are configurations that are quite new and special to the era of flexible accumulation (even though, as David Noble points out in *America by design*, many US universities were set up and promoted by corporate capital from their very inception).

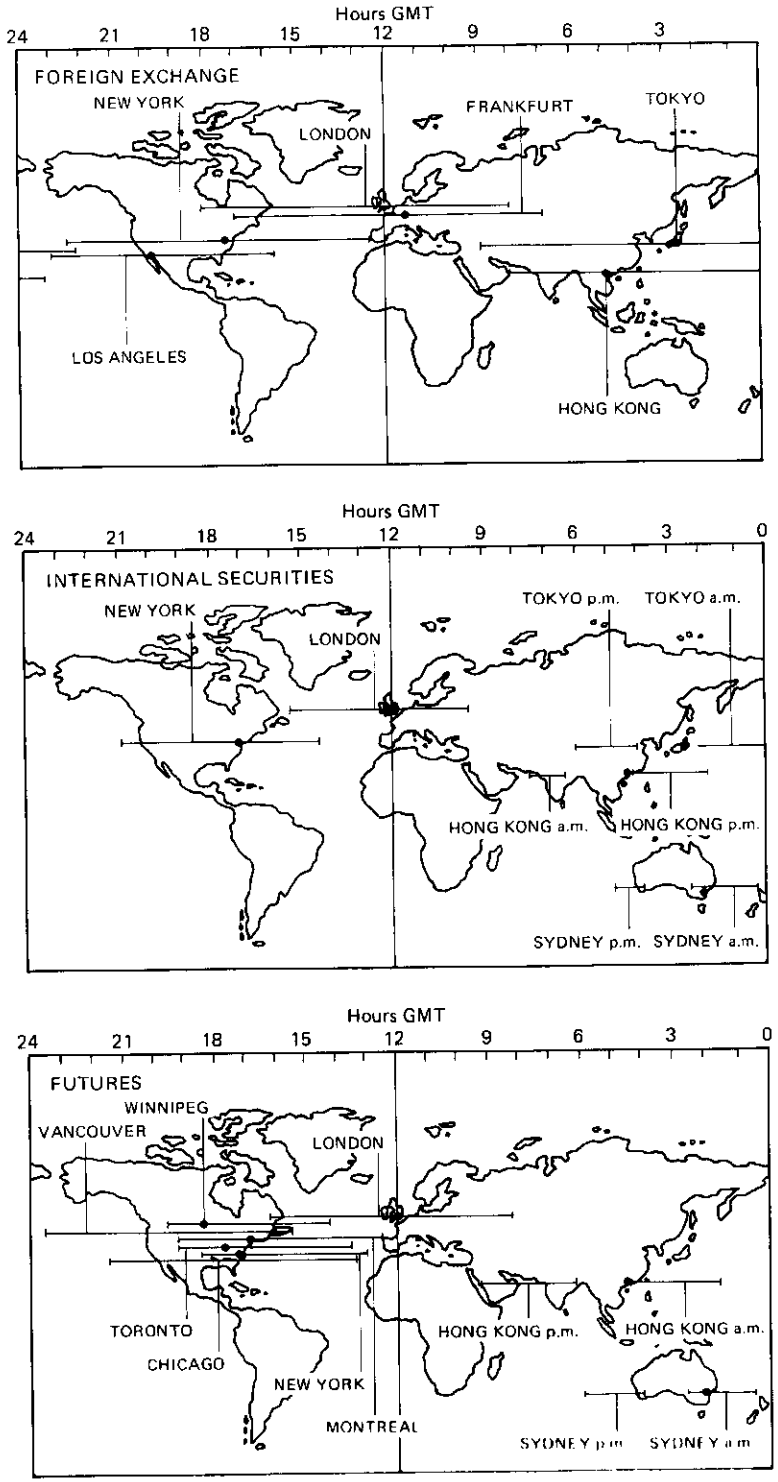
Control over information flow and over the vehicles for propagation of popular taste and culture have likewise become vital weapons in competitive struggle. The startling concentration of economic power in book publishing (where 2 per cent of the publishers control 75 per cent of the books published in the USA), the media and the press cannot be explained simply in terms of the production conditions conducive to mergers in those fields. It has a lot to do with the power of other large corporations, as expressed through their controls over mechanisms of distribution and advertising expenditures. The latter have grown markedly since the 1960s, and eat up even larger proportions of corporate budgets because, in a highly competitive world, it is not simply products but the corporate image itself that becomes essential, not only to marketing but also for raising capital, pursuing mergers, and gaining leverage over the production of knowledge, government policy, and the promotion of cultural values. Corporate sponsorship of the Arts (Exhibition sponsored by –), of universities, and of philanthropic projects is the prestige end of a scale of activities that include everything from lavish brochures and company reports, public relations stunts, and even scandals that constantly keep the company name in the public eye.

The second development – and this has been far more important than the first – was the complete reorganization of the global financial system and the emergence of greatly enhanced powers of financial co-ordination. Again, there has been a dual movement, on the one hand towards the formation of financial conglomerates and brokers of extraordinary global power, and, on the other hand, a rapid

proliferation and decentralization of financial activities and flows through the creation of entirely new financial instruments and markets. In the United States, this meant the deregulation of a financial system that had been rigorously circumscribed ever since the reforms of the 1930s. The US *Hunt Commission Report* of 1971 was the first explicit recognition of the need for reforms as a condition of survival and growth of the capitalist economic system. After the traumas of 1973, the pressure for financial deregulation gathered pace in the 1970s and had engulfed all of the world's financial centres by 1986 (London's celebrated 'big bang' reforms of that year drove home the point). Deregulation and financial innovation – both long and complicated processes – had by then become a condition of survival of any world financial centre within a highly integrated global system co-ordinated through instantaneous telecommunications. The formation of a global stock market, of global commodity (even debt) futures markets, of currency and interest rate swaps, together with an accelerated geographical mobility of funds, meant, for the first time, the formation of a single world market for money and credit supply (figure 2.11).

The structure of this global financial system is now so complicated that it surpasses most people's understanding. The boundaries between distinctive functions like banking, brokerage, financial services, housing finance, consumer credit, and the like have become increasingly porous at the same time as new markets in commodity, stock, currency, or debt futures have sprung up, discounting time future into time present in baffling ways. Computerization and electronic communications have pressed home the significance of instantaneous international co-ordination of financial flows. 'Banking,' said the *Financial Times* (8 May 1987), 'is rapidly becoming indifferent to the constraints of time, place and currency.' It is now the case that 'an English buyer can get a Japanese mortgage, an American can tap his New York bank account through a cash machine in Hong Kong and a Japanese investor can buy shares in a London-based Scandinavian bank whose stock is denominated in sterling, dollars, Deutsche Marks and Swiss francs.' This 'bewildering' world of high finance encloses an equally bewildering variety of cross-cutting activities, in which banks borrow massively short-term from other banks, insurance companies and pension funds assemble such vast pools of investment funds as to function as dominant 'market makers', while industrial, merchant, and landed capital become so integrated into financial operations and structures that it becomes increasingly difficult to tell where commercial and industrial interests begin and strictly financial interests end.

This confusion has been particularly associated with the growth of



what is now called 'paper entrepreneurialism.' Tremendous emphasis has been put in recent years on finding ways other than straight production of goods and services to make profits. The techniques vary from sophisticatd 'creative accounting' through careful monitoring of international markets and political conditions by multinationals, so that they can profit from relative shifts in currency values or interest rates, to straight corporate raiding and asset-stripping of rival or even totally unrelated corporations. The 'merger and takeover mania' of the 1980s was part and parcel of this emphasis upon paper entrepreneurialism, for although there were some instances where such activities could indeed be justified in terms of rationalization or diversification of corporate interests, the thrust was more often than not to gain paper profits without troubling with actual production. Small wonder, as Robert Reich (1983) observes, that 'paper entrepreneurialism now preoccupies some of America's best minds, attacks some of its most talented graduates, employs some of its most creative and original thinking, and spurs some of its most energetic wheeling and dealing.' Over the last fifteen years, he reports, the most sought after and most lucrative jobs to be had in US business lay not in the management of production but in the legal and financial spheres of corporate action.

Awash with liquidity, and perturbed by an indebtedness that has spiralled out of control since 1973, the world's financial system has, however, eluded any collective control on the part of even the most powerful advanced capitalist states. The formation of the so-called 'Eurodollar' financial market out of surplus US dollars in the mid 1960s is symptomatic of the problem. Quite uncontrolled by any national government, this market in 'stateless' money expanded from $50 billion in 1973 to nearly $2 *trillion* by 1987, thus approaching the size of the money aggregates within the United States. The volume of Eurodollars increased at a rate of around 25 per cent per year in the 1970s, compared to a 10 per cent increase in money supply within the USA and a 4 per cent growth rate in the volume of foreign trade. The debt of third world countries likewise mushroomed out of control (see figure 2.12). It does not take much imagination to see that such imbalances portend severe stresses and strains within the global capitalist system. Prophets of doom (like the Wall Street investment banker Felix Rohatyn) now abound, and even *The Economist* and the *Wall Street Journal* sounded sombre warnings

Figure 2.11 Twenty-four hour trading patterns in global financial markets (courtesy of Nigel Thrift)

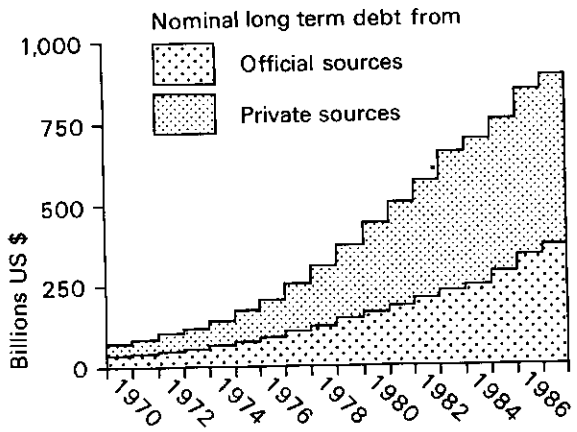


Figure 2.12 Growth of debt of lesser developed countries, 1970–1987 (Source: *World Bank Debt Tables*)

of impending financial disaster well before the stock market crash of October 1987.

The new financial systems put into place since 1972 have changed the balance of forces at work in global capitalism, giving much more autonomy to the banking and financial system relative to corporate, state, and personal financing. Flexible accumulation evidently looks more to finance capital as its co-ordinating power than did Fordism. This means that the potentiality for the formation of independent and autonomous monetary and financial crises is much greater than before, even though the financial system is better able to spread risks over a broader front and shift funds rapidly from failing to profitable enterprises, regions, and sectors. Much of the flux, instability, and gyrating can be directly attributed to this enhanced capacity to switch capital flows around in ways that seem almost oblivious of the constraints of time and space that normally pin down material activities of production and consumption.

The increasing powers of co-ordination lodged within the world's financial system have emerged to some degree at the expense of the power of the nation state to control capital flow and, hence, its own fiscal and monetary policy. The breakdown, in 1971, of the Bretton Woods agreement to fix the price of gold and the convertibility of the dollar was an acknowledgement that the United States no longer had the power to control world fiscal and monetary policy single-handedly. The adoption of a flexible exchange rate system in 1973 (in

response to massive speculative currency movements against the dollar) signalled the complete abolition of Bretton Woods. Since that time all nation states have been at the mercy of financial disciplining, either through the effects of capital flow (witness the turnaround in French socialist government policy in the face of strong capital flight after 1981), or by direct institutional disciplining. Britain's concession under a Labour government to austerity measures dictated by the International Monetary Fund in order to gain access to credit in 1976 was a simple acknowledgement of external financial power over internal politics (there was more to matters, evidently, than a simple conspiracy of the 'gnomes of Zurich' that had been so castigated by the Wilson government of the decade before). There had, of course, always been a delicate balance between financial and state powers under capitalism, but the breakdown of Fordism–Keynesianism evidently meant a shift towards the empowerment of finance capital *vis-à-vis* the nation state. The significance of all this becomes even more apparent when put into the context of the rapid reduction in transportation and communications costs that rested on containerization, jumbo-jet cargo transport, and satellite communications, which allowed production and design instructions to be communicated instantaneously anywhere around the world. Industry that had traditionally been tied by locational constraints to raw material sources or markets could become much more footloose. From the mid-1970s onwards a vast literature emerged trying to keep track of the new international division of labour, shifting principles of location, and proliferating mechanisms of co-ordination both within trans-national corporations as well as between different sectoral commodity and product markets. Newly industrializing countries (NICs) such as the South-East Asian 'gang of four' (Hong Kong, Singapore, Taiwan, and South Korea) began to make serious inroads into the markets for certain products (textiles, electronics, etc.) in the advanced capitalist countries, and were soon joined by a host of other NICs (Hungary, India, Egypt) and those countries that had earlier pursued import substitution strategies (Brazil, Mexico) in a locational re-shuffle of the world's industrial production.

Some of the power shifts since 1972 within the global political economy of advanced capitalism have been truly remarkable. United States dependence on foreign trade (historically always rather small – in the range of 4–5 per cent of gross domestic product) doubled in the period 1973–80 (see table 2.5). Imports from developing countries increased almost tenfold, and foreign imports (particularly from Japan) surged to claim a major share of US markets in areas as diverse as silicon chips, televisions and videos, numerically controlled

Table 2.5 Dependence on foreign trade for selected advanced capitalist countries

	Exports and imports as per cent of GNP			
	1960	*1970*	*1980*	*1986*
US				
exports	4.37	5.35	10.0	7.0
imports	4.36	5.00	10.5	10.2
UK				
exports	20.9	23.1	27.7	26.2
imports	22.3	22.2	25.3	27.0
Japan				
exports	10.8	10.8	13.7	11.7
imports	10.3	9.5	14.6	7.6
W. Germany				
exports	17.9	21.2	26.3	30.0
imports	16.4	19.1	27.0	24.9
Italy				
exports	12.1	15.4	21.7	20.4
imports	12.4	15.0	24.4	18.7

Source: OECD

machine tools, shoes, textiles and cars. The balance of payments in goods and services for the United States rapidly moved that country from a net global creditor to the status of the world's largest debtor (see figure 2.13). Meanwhile the financial power of Japan grew, turning Tokyo into one of the world's most important financial centres (topping New York for the first time in 1987) simply because of the vast quantities of surplus funds controlled by the Japanese banks. The latter displaced the Americans as the largest holders of international assets in 1985, and by 1987 held $1.4 trillion compared with the $630 billion held by Americans. The four largest banks in the world (in asset terms) are now Japanese.

These shifts have been accompanied and in part ushered in by the rise of an aggressive neo-conservatism in North America and much of Western Europe. The electoral victories of Thatcher (1979) and Reagan (1980) are often viewed as a distinctive rupture in the politics of the postwar period. I understand them more as consolidations of

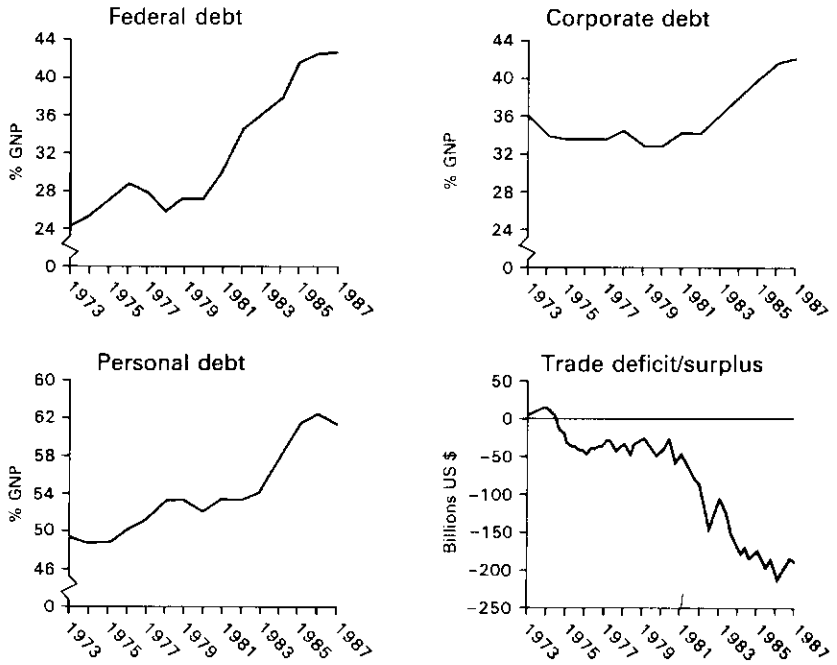


Figure 2.13 Growth of federal, personal and corporate debt in the United States and deterioration in US trade balance, 1973–1987
(Source: *Department of Commerce and Federal Reserve Board)*

what was already under way throughout much of the 1970s. The crisis of 1973–5 was in part born out of a confrontation with the accumulated rigidities of government policies and practices built up during the Fordist–Keynesian period. Keynesian policies had appeared inflationary as entitlements grew and fiscal capacities stagnated. Since it had always been part of the Fordist political consensus that redistributions should be funded out of growth, slackening growth inevitably meant trouble for the welfare state and the social wage. The Nixon and Heath governments both recognized the problem in the period 1970–4, sparking struggles with organized labour and retrenchment in state expenditures. The Labour and Democratic governments that subsequently came to power bowed to the same imperatives, though ideologically predisposed in quite different directions. Their corporatist approach to solving the problem may have been different (relying on voluntary compliance and union enforcement of wages and prices policies) but the objectives had to be the same. As soon as political choices were seen as a trade off

between growth or equity, there was no question which way the wind would blow for even the most dedicated of reformist governments. The gradual withdrawal of support for the welfare state (see figure 2.9), and the attack upon the real wage and organized union power, that began as an economic necessity in the crisis of 1973–5, were simply turned by the neo-conservatives into a governmental virtue. The image of strong governments administering powerful doses of unpalatable medicine to restore the health of ailing economies became widespread.

To the degree that heightened international competition under conditions of flagging growth forced all states to become more 'entrepreneurial' and concerned to maintain a favourable business climate, so the power of organized labour and of other social movements had to be curbed. Though the politics of resistance may have varied – with tangible results, as Therborn's (1984) comparative study of European states shows – austerity, fiscal retrenchment, and erosion of the social compromise between big labour and big government became watchwords in every state in the advanced capitalist world. Although, therefore, states retain considerable power to intervene in labour contracts, what Jessop (1982, 1983) calls 'the accumulation strategy' of each capitalist nation state has become more strictly circumscribed.

On the reverse side of the coin, governments ideologically committed to non-intervention and fiscal conservatism have been forced by events to be more rather than less interventionist. Laying aside the degree to which the evident insecurities of flexible accumulation create a climate conducive to authoritarianism of the Thatcher–Reagan type, financial instability and the massive problems of internal and external indebtedness have forced periodic interventions in unstable financial markets. The deployment of Federal Reserve power to ameliorate the Mexican debt crisis of 1982, and the US Treasury's agreement to broker what might amount to a $20 billion write-off of Mexican debt held by US banks in 1987, are two examples of this new kind of interventionism in international markets. The decision to nationalize the failing Continental Illinois Bank in 1984, and the massive outlays of the US Federal Deposit and Insurance Corporation (FDIC) to absorb the rising costs of bank failure (see figure 2.14) and the similar drain on the resources of the Federal Savings and Loan Insurance Corporation that required a $10 billion re-capitalization effort in 1987 to guard against the fact that some 20 per cent of the nation's 3,100 thrift institutions were technically insolvent, illustrates the scale of the problem (the estimated bail-out required to deal with the savings and loan crisis stood at $50 to $100 billion by

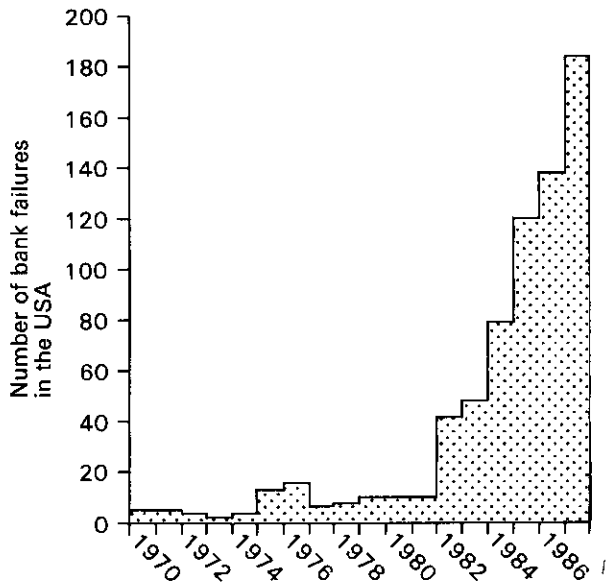


Figure 2.14 Bank Failures in the USA, 1970–1987
(Source: *Federal Deposit and Insurance Corporation)*

September 1988). So exercised did William Isaacs, Chairman of the FDIC, become that he felt obliged to warn the American Bankers Association as early as October 1987 that the USA 'might be headed towards nationalization of banking,' if they could not stem their losses. Operations in international currency markets to stabilize exchange rates come no cheaper – the New York Federal Reserve reported spending more than $4 billion in the two months after the stock market crash of October 1987 to keep the dollar exchange rate relatively orderly, and the Bank of England sold £24 billion in 1987 in order to keep the British pound from rising too fast and too far. The role of the state as a lender or operator of last resort has, evidently, become more rather than less crucial.

But, by the same token, we now see that it is also possible for nation states (South Africa, Peru, Brazil, etc.) to default on their international financial obligations, forcing inter-state negotiations on debt repayments. It is also, I suspect, no accident that the first economic summit between the major capitalist powers occurred in 1975, and that the pursuit of international co-ordinations – either through the IMF or through the pursuit of collective agreements to

intervene in currency markets – has intensified ever since, becoming even more emphatic in the wake of the 1987 stock market crash. There has been, in short, a struggle to win back for the collectivity of capitalist states some of the power they have individually lost over the past two decades. This trend was institutionalized in 1982, when the IMF and the World Bank were designated as the central authority for exercising the collective power of capitalist nation states over international financial negotiations. Such power is usually deployed to force curbs on public expenditure, cuts in real wages, and austerity in fiscal and monetary policy, to the point of provoking a wave of so-called 'IMF riots' from São Paulo to Kingston, Jamaica, and from Peru to the Sudan and Egypt since 1976 (see Walton, 1987, for a complete list).

There are many other signs of continuity rather than rupture with the Fordist era. The massive government deficits in the United States, mainly attributable to defence, have been fundamental to whatever economic growth there has been in world capitalism in the 1980s, suggesting that Keynesian practices are by no means dead. Neither does the commitment to 'free-market' competition and deregulation entirely fit with the wave of mergers, corporate consolidations, and the extraordinary growth of interlinkages between supposedly rival firms of different national origin. Arenas of conflict between the nation state and trans-national capital have, however, opened up, undermining the easy accommodation between big capital and big government so typical of the Fordist era. The state is now in a much more problematic position. It is called upon to regulate the activities of corporate capital in the national interest at the same time as it is forced, also in the national interest, to create a 'good business climate' to act as an inducement to trans-national and global finance capital, and to deter (by means other than exchange controls) capital flight to greener and more profitable pastures.

While the history may have varied substantially from one country to another, there is strong evidence that the modalities and targets of, as well as the capacity for, state intervention have changed substantially since 1972 throughout the capitalist world, no matter what the ideological complexion of the government in power (the recent experience of the French and Spanish socialists further helps substantiate the point). This does not mean, however, that state interventionism has generally diminished, for in some respects – particularly regarding labour control – state intervention is more crucial now than it ever was.

This brings us, finally, to the even thornier problem of the ways in which norms, habits, and political and cultural attitudes have shifted

since 1970, and the degree to which such shifts integrate with the transition from Fordism to flexible accumulation. Since the political success of neo-conservatism can hardly be attributed to its overall economic achievements (its strong negatives of high unemployment, weak growth, rapid dislocation, and spiralling indebtedness are offset only by control of inflation), several commentators have attributed its rise to a general shift from the collective norms and values, that were hegemonic at least in working-class organizations and other social movements of the 1950s and 1960s, towards a much more competitive individualism as the central value in an entrepreneurial culture that has penetrated many walks of life. This heightened competition (in labour markets as well as amongst entrepreneurs) has, of course, proved destructive and ruinous to some, yet it has undeniably generated a burst of energy that many, even on the left, compare favourably with the stifling orthodoxy and bureaucracy of state control and monopolistic corporate power. It has also permitted substantial redistributions of income to be achieved, which have advantaged, for the most part, the already privileged. Entrepreneurialism now characterizes not only business action, but realms of life as diverse as urban governance, the growth of informal sector production, labour market organization, research and development, and it has even reached into the nether corners of academic, literary, and artistic life.

While the roots of this transition are evidently deep and complicated, their consistency with a transition from Fordism to flexible accumulation is reasonably clear even if the direction (if any) of causality is not. To begin with, the more flexible motion of capital emphasizes the new, the fleeting, the ephemeral, the fugitive, and the contingent in modern life, rather than the more solid values implanted under Fordism. To the degree that collective action was thereby made more difficult – and it was indeed a central aim of the drive for enhanced labour control to render it thus – so rampant individualism fits into place as a necessary, though not a sufficient, condition for the transition from Fordism to flexible accumulation. It was, after all, mainly through the burst of new business formation, innovation, and entrepreneurialism that many of the new systems of production were put into place. But, as Simmel (1978) long ago suggested, it is also at such times of fragmentation and economic insecurity that the desire for stable values leads to a heightened emphasis upon the authority of basic institutions – the family, religion, the state. And there is abundant evidence of a revival of support for such institutions and the values they represent throughout the Western world since about 1970. Such connections are, at

least, plausible, and they ought, therefore, to be given more careful scrutiny. The immediate task at hand is to outline an interpretation of the roots of such a major transition in capitalism's dominant regime of accumulation.

10

Theorizing the transition

To the degree that we are witnessing a historical transition, still far from complete and in any case, like Fordism, bound to be partial in certain important respects, so we have encountered a series of theoretical dilemmas. Can we grasp theoretically the logic, if not the necessity, of the transition? To what degree do past and present theoretical formulations of the dynamics of capitalism have to be modified in the light of the radical reorganizations and restructurings taking place in both productive forces and social relations? And can we represent the current regime sufficiently well to get some grip on the probable course and implications of what appears to be an ongoing revolution?

The transition from Fordism to flexible accumulation has, in fact, posed serious difficulties for theories of any sort. Keynesians, monetarists, neo-classical partial equilibrium theorists, appear just as befuddled as everyone else. The transition has also posed serious dilemmas for Marxists. In the face of such difficulties, many commentators have abandoned any pretence of theory, and simply resorted to data-chasing to keep pace with the rapid shifts. But here too there are problems – what data are key indicators rather than contingent series? The only general point of agreement is that something significant has changed in the way capitalism has been working since about 1970.

The first difficulty is to try to encapsulate the nature of the changes we are looking at. In tables 2.6, 2.7, and 2.8 I summarize three recent accounts of the transition. The first, a rather celebratory account by Halal (1986) of the new capitalism, emphasizes the positive and liberatory elements of the new entrepreneurialism. The second, by Lash and Urry (1987), emphasizes power relations and politics in relation to economy and culture. The third, by Swyngedouw (1986), provides much more detail on transformations in technology and the