EC 474 – Spring 2016

Extra Lecture Material 1

Part A

Continuity and Change in Contemporary Capitalism
(After 2WW)

The Development of International Relationships

- In general, 4 stages:
  - 1944-73: The period of liberalisation of world trade
    1973: Oil crisis
  - 1960-82: The rise and eclipse of the policy goal of a new international order
    1982: Debt crisis (starting with Mexico)
  - 1982-97: The period of debt crisis and structural adjustment
    1987: Asian crisis
  - Since '97: A revival of the intellectual debates on globalisation and liberalisation
    2008: World financial crisis

EC 474 - Course Content

A. Continuity and Change in Contemporary Capitalism
B. Understanding Neo-liberal Globalisation
C. Growth, Development and the Environment
D. Environmental Distribution Conflicts and Currents of Environmentalism
E. Political Economy of Mining
F. Climate Change and Justice
G. Environment and Development in Turkey
Characteristics of the Post-War Economic Order (1)

1. Rapid growth of the volume of international trade
2. Breaking the mould of the colonial division of labour
3. A modest share of developing countries in international trade
4. Financial flows from the developed countries to developing countries

Characteristics of the Post-War Economic Order (2)

5) Liberalisation of international trade and capital flows
6) The emergence of global production chains
7) Acceleration of growth of per capita national income in both rich and poor countries in the period 1950-73, followed by divergent growth trends

Per capita Income (PCI) Trends

- 1950-73: increase faster in richer countries than in poorer countries
- 1973-82: slowing down of per capita income growth; decline in Africa
- After '82: modest recovery in advanced economies
- 1990's: Asian growth continued, China and India growing
- 1997: Asian financial crisis; increased financial instability

Different crises

- Since 1982 – increased vulnerability to major financial crises
  - 1982: debt crisis
  - 1994: major crises in developing countries
  - 1997: Asian crisis
  - 2008: world financial crisis
Early crisis of 1970’s

- Gold-$ fixed exchange standard (Bretton Woods) collapsed.
- Crisis of profitability
  - Increasing costs of labour and raw material
  - Overabundance of financial resources seeking profitable investment outlets

Explanations of the crisis

1. Fiscal crisis of the state
2. Technology related explanations: 4th industrial revolution
3. Transition from a Fordist mode to a Post-Fordist system (Regulation school of analysis)
4. Transition from organised to disorganised capitalism
5. Systemic cycles of accumulation

(1) Fiscal crisis of the state

- Role of the state:
  - Function of accumulation
  - Function of legitimation
- Contradiction?
  - State with its second function is in fact restraining the profit making
  - Either increase the taxes or there will be budget deficit

(2) Technology: 4th Ind. Rev

- 1st ind. rev: late 18th C – steam engine
- 2nd ind. rev: 2nd half of 19th C – electricity, transportation (railways), telegraph
- 3rd ind. rev: First half of 20th C – moving assembly line (automotive ind)
- 4th ind. rev: electronics, biotech, computer age
Regulation School of Analysis

- Proponents: Aglietta, Lipietz, Boyer, Jessop
- Address the paradox of how capitalism has both a tendency towards crisis, change and instability as well as an ability to stabilize institutions, rules and norms.
- Two concepts:
  - Regime of accumulation
  - Mode of regulation

Two concepts:

- Regime of accumulation:
  - Systems of production and consumption
  - E.g. Fordism vs. Post-fordism
- Mode of Regulation:
  - The written and unwritten laws of society which control the regime of accumulation and determine its form (Institutional Framework)

Fordism (1)

- System of production/consumption
  - Mass production
    - Vertically integrated enterprises
    - Top-down management
    - Assembly line (Taylorism)
  - Mass consumption
- Mode of regulation
  - Strong nation state, welfare state

Fordism (2)

- Balance of power between
  - Organised labour
  - Large corporate capital
  - Nation state
- Enhanced productivity, raised standards of living and stable basis for growing profits
- An international order as well
  - 1944: IMF; IBRD
  - Fixed exchange rates
  - Supreme economic and political power of US
  - New markets; credit possibilities
Fordism - Summary (1)

- Macroeconomic structure: the target is sustained growth
  - Increasing productivity
- System of production: Mass production
  - Technology: steady but powerful processes of technological change
  - Organisation: Assembly Line/Managerial expertise/Corporate strategy

Fordism - Summary (2)

- Rules of coordination:
  - Keynesian policies
  - How to split between profits and wages
  - Welfare state
- International order
  - IMF, WB established to prepare a stable world after the war
  - In favour of world trade

Why did the system collapse?

- Rigidity!
  - Fordist system of production: assembly line reached its limits
  - Taylorism could not raise productivity anymore
  - Returns/profits falling and restricting any expansion in the fiscal basis for state expenditures
- Market saturation (for durables)

New era: Post-Fordism

- A new middle/upper middle class
- New income/consumption patterns
  - Brand name development
  - Customised design
- Flexibility in
  - Labour processes
  - Labour markets
  - Products
  - Patterns of consumption
Flexibility in Post-Fordism (1)

**Firms:**
- Downsizing of enterprises - SMEs becoming important
- Bureaucratic and hierarchical management questioned

**Labour:**
- Less task specific labour skills
- Different work schedules (part-time, temporary, sub-contracting)
- Changes in employment structure – rise in services
- Increase in mobility

Flexibility in Post-Fordism (2)

- Regional clusters of SMEs which are related to each other with flexible ties of cooperation and competition
- Provision of input for each other and sub-contracting
  - Third Italy
  - Anatolian Tigers

Relations of Production: Fordism vs. Post-Fordism

- Central vs. Local
- Formal vs. Informal
- Integrated vs. Decentralised
- Large vs. Small
- Well defined vs. Fluid

Theorizing the Transition

1) **Halal:** Closer to Schumpeter’s theory of entrepreneurial innovation as the driving force of capitalism
2) **Lash and Urry:** Organised vs. Disorganised capitalism
3) **Swyngedounw:** Changes in the mode of production and of industrial organisation (Regulation school language)
Back to Explanations of the crisis

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4. Transition from organised to disorganised capitalism (Lash and Urry)
5. Systemic cycles of accumulation

Systemic Cycles of Accumulation

1) Alternating phases of financial and material expansion; oscillation btw 2 points
2) Each systemic cycle is characterised by a relocation of authority at the international level
3) Pendulum oscillates btw phases of regulation and phases of deregulation