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International Symposium Towards a N.E.O. of the 21st
Century, Taegu (Corée)

Korea and the crisis in Post-Fordism

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Publication date: Thursday 15 January 1998

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[1998c] " Prospect of the New Economic Order for the XXIe century ", **International Symposium Towards a N.E.O. of the 21st Century**, Taegu (Corée), 15 janvier.

I The crisis of fordism and the emergence of NICs

a. What was fordism ?

- * Taylorian organization of labour, mecanization,
- * "Rigid" capital-labour contracts
- * Inner-demand led growth (mass-consumption for mass-production)

b. The crisis of fordism

- * Demand side : increasing international integration of production-consumption circuits (mainly due to trade between developed countries) led to difficulties in regulating concurrently both the growth of inner demand and the trade-balance.
- * Supply side : the decreasing rate of growth in productivity, due to weaknesses of taylorism, and the increasing cost of mecanization, led to a decrease in profitability of investment.

c. The newly industrializing countries

- * Only a few countries can be defined in this way: the 4 dragons, Brazil and Mexico. They developed in the late 60's and 70's, mainly for inner and specific reasons.
- * Yet they took advantage of the opportunities offered by the crisis in central fordism, later replaced by easy money prevailing in the international money market following the oil shock.
- * At first they specialized as labour-intensive subcontractors of central fordism ("primitive taylorization"), benefiting from very low labour cost imposed by dictatorships. This led to the "second intrernational division of labour" (design and engineering in developed countries/ unskilled manufacturing in NICs)
- * Then (second half of the 70's) they upgraded to mecanization and heavy industries.

II The eighties and the split in post-fordisms

a. The monetary shock (1979-1982)

- *It marked the end of "easy-money" and of crisis management through demand.

b. The advanced countries split between two options on the supply-side

- * USA and Atlantic Europe chose "flexibilization " of labour markets and reduced labour cost while maintaining taylorian organization of labour (flexible neo-taylorist model).
- * Japan and continental Europe fostered skilling and labour involvement within the struggle for quality and productivity, in exchange of higher social standards ("negotiated involvement" models).
- * At the end of the 80's the second option turned out to be more competitive. With increasing labour cost per hour the "negotiated involvement" group of countries developped structural trade surpluses.

d. The monetarist shock provoked a clear selection within the NIC's

- * Latin American countries misused their credits. They had to reimburse under worst possible conditions, and opted for a worsened capital-labour relation.

* Authoritarian regimes in Asia had carefully planned the link between credits, investments, and the capacity to pay for their debt through export. They absorbed the shock positively and began to imitate the Japanese model of development : high skill and rising wages.

* Thus the first 4 dragons liberated a niche for the second wave of Asian NICs to take over the role of primitive taylorization.

III The third international division of labour and the case of Asia

a. The 3rd international division of labour

It encompasses the first one (manufacturing/primary goods) and the second one (design/execution). But it adds a division between, on the one hand, manufacturing involving "involved" and skilled workers (with higher wages and rigid contracts) and on the other, manufacturing involving taylorized workers (with lower wages and flexible contracts). As a result, high quality manufacturing sub-sectors tend to concentrate in countries of the first type, while "taylorian-flexible" advanced countries can only retain engineering and designer employments with manufacturing subcontracted to NICs, according to the second I.D.L.

b. Globalization

This fosters a general competition in the world between many local social conditions. A country retains the freedom to compete through lower wages or higher skill and commitment but any level of competitiveness can be jeopardized by a shift in wage, in skilling or even in the rate of change somewhere else on the planet. This is the core of truth behind the feeling of "globalization".

c. From booms to slumps

In such a situation, management of demand-side (which accounted for the 30 years steady development of fordism) no longer exists. This is a factor of instability: c.f. the great come-back of business-cycles (typical of pre-fordist capitalism).

*Booms with investment on savings excess, trade deficit, capital import. This collapses when finance capital, "overaccumulated" into productive capital, becomes concerned with the lack of effective demand.

*Slumps when finance capital flies away from production to money capital and/or other (more promising ?) lands.

d. Continentalization

For industrial-organizational reasons, "globalization" is in fact "continentalization". Production tends to develop where markets are growing. This is particularly true in Asia and Europe, both dominated by countries practicing "negotiated involvement" (Japan, Germany), while Americas, dominated by a "flexible-taylorized" country (USA), tends to disaggregate into various dependencies (Atlantic coast to Europe, Pacific coast to Japan and its lieutenants).

e. The hierarchized world-economy of Asia

At the center of Asia is Japan.

The first periphery ring includes the 2 ex-dragons city-states now turned into heads of neo-taylorian branch-circuits spread over the following rings.

The third ring includes the 2 populated dragons (Taiwan and Korea) now turned into peripheral fordism with tendencies for up-skilling.

The fourth and fifth rings are made of primitive taylorization countries (Malaysia, Thailand, Indonesia, Philippines, then Southern Asia)

The case of China is very special : it stretches from the fifth to the second ring (when including Hong-Kong).

Australia and New-Zealands remain special ("dominion economies" specialized in primary exports but with - so far - social-democratic standards of living).

IV The crisis of Korea

a. Asian crisis

* In the late 80's-mid90's, the Asian regime was based on the miraculous mutual adaptation of its rings: each was selling equipment goods to the following rings, while China played the role of a huge "effective demander in last instance". Moreover, most Asian countries were globally competitive, either because of high skill and involvement (Japan), or because of low wages (Thailand).

* This inner divergence in specialization was mitigated by the fact that national currencies of the lower rings were pegged to the US dollar which was devaluating by comparison to Yen.

* The absolute victory of Japan, and relative victories of other rings, in international trade led to a capital flow towards Asia, fostering a boom in accumulation.

* Overaccumulation appeared when "too much" foreign capital was transformed into productive capital in Asia, provoking both inflation and trade deficit. The crisis then started in the fourth ring where the excess of investment had concentrated in undemanded buildings. It was triggered by the inversion of the movement of dollar vs yen: these countries lost their competitiveness, prompting foreign capital flight. A phenomenon not so different from the "Tequila Effect" in Mexico in 1994.

b. Specificity of Korean crisis

* In all logics and for the same reasons (overvaluation of won pegged to the dollar, by comparison to the yen), the crisis is now striking the third ring. An added problem stems from the slump in the fourth ring's demand.

* But in Korea the over-accumulation was mainly in export-oriented manufacturing sectors. The planning capacities of the Korean state seem to have disappeared in the 90's with the "mild democratization" (less control from the top, while not yet much control from civil society), just as it had disappeared in Brazil under the presidencies of Sarney and Collor. This seems to differentiate it from Taiwan.

As a conclusion : what is to be done ?

* Only an accommodating credit policy can avoid a major overproduction crisis in Asia to spread to the rest of the world. We are in the situation of 1930. The IMF keeps the memory of Keynes' lessons and fosters easy foreign credit to Korea, which is good. But at the same it tries to impose to Korea more inner liberalization, which may be dangerous.

* On the other hand, Korea has lost the structures of governance of the past without having built a new one. The strict planning of credit and investment policy led by an efficient and nationalist dictatorship has now vanished into megalomania of chaebol, corruption and clientelism. The only solution is the construction of a democratic control of civil society over economic powers.

* Korea is now a relatively developed society that could not compete with the "fourth ring" (Malaysia, etc..) through lower wages and flexibility of wage contracts. It has to compete through higher skill and commitment of the workers and, as far as employment is concerned, rely principally on the reduction of labour time.

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