The financial crisis of 2008, widely heralded as the biggest since the Great Depression, can be – and has been – read in multiple ways. The dominant understanding is that the crisis came about as a consequence of “a broad national breakdown in personal responsibility, government regulation and financial ethics” (Friedman, 2008). The explanations for the so-called Great Recession have pointed towards, inter alia, the absence of regulatory oversight (Varoufakis, 2011), the Wall Street culture of risk-taking (Lewis, 2008), the widespread adoption of toxic economic theories that assumed away risks (Smith, 2010), the cyclical tendencies of capital to move through expansions and recessions (see National Bureau of Economic Research, 2014), and the inevitability of periodic and/or endless crises under the reign of monopoly-finance capitalism (Foster and McChesney, 2012). Some, such as the philosopher du jour, Slavoj Žižek (2009), have argued that this moment represents nothing less than a moral failure of the modern world.

Organizational scholars, though a little late to the party, did eventually focus on the fallout of the crisis, and the Academy of Management even held the 2013 edition of its annual meeting – ironically in the flourishing Disney World theme park – under the theme ‘Capitalism in Question?’ The discussions among management academics have, however, tended to focus on the proximate causes of the financial meltdown, and with some exceptions, haven’t paid much attention to the role of their own discipline in creating the conditions for the disaster. In this chapter, we seek to bring a historical perspective to the analysis of the financial crisis by revisiting the arguments of Fordism–Keynesianism and post-Fordism that emerged in the 1970s, in order to question the role of managerial practices in the period that led towards the crisis. Based on these arguments, we examine the contention that the financial crisis can be read as a particular variant of the crisis of overaccumulation, and place it in the historical context of the post-Fordist debate in organizational theory and industrial geography. Specifically, we intend to scrutinize the link between the crisis and the management practices enacted in the 1980s and the 1990s in search of ‘flexibility’ – exemplified by the idealization of concepts such as the lean corporation, core competencies, outsourcing, subcontracting, offshoring, just-in-time – and as a response to the crisis of ‘rigidity’ that characterized the end of the age of Fordism. By doing so, we hope to persuade scholars of management and organizing history to – in the words of the Management History division of the Academy of Management – conduct a “historical assessment of the social consequences of management.”
The crisis of Fordism

The ultimate purpose of modern capitalism is the generation of profit through the process of circulation (Marx 1867/1976). In the event that there is an ‘over-production of capital’ or a lack of opportunity for its fruitful circulation, the system experiences a crisis that some economists refer to as the crisis of overaccumulation (see Bello, 2006). Over-accumulation, a defining feature of the early 1970s, is characterized by a glut of commodities, excessive inventories, idle capacity, surplus money capital, underemployment, and falling rates of return. There are a number of meta-narratives that have been offered in an attempt to understand the change in the trajectory of capitalism following the stagflation of the early 1970s and the end of the post-Second World War period referred to as the ‘Golden Age of Capitalism’. Labels such as post-industrialism (Bell, 1973), post-bureaucracy (Heydebrand, 1989), postmodernism (Harvey, 1989), social structures of accumulation (Bowles & Gintis, 1986; Gordon, 1988), and disorganized capitalism (Lash & Urry, 1987) have been used to describe theoretical formulations that seek to outline the broad sweep of transformations within the system of capitalist enterprise in the latter part of the twentieth century. We use the discourse of Fordism, not as any final word on the subject, but as a complex, historically grounded template that offers a useful framework for mapping the trends that became increasingly visible in the industrial societies of the time.

While there are many different versions of Fordism and its alleged successor – post-Fordism – the following description by Hall (1988: 24) articulates a blend of the markers of this change:

A shift to the new ‘information technologies’; more flexible, decentralized forms of labor process and work organizations; decline of the old manufacturing base and the growth of the ‘sunrise,’ computer-based industries; the hiving off or the contracting out of functions and services; a greater emphasis on choice and product differentiation, on marketing, packaging and design, on the ‘targetting’ of consumers by lifestyle, taste, and culture rather than by categories of social class; a decline in the proportion of the skilled, male, manual working class, the rise of the service and white-collar classes and the ‘feminization’ of the work force; an economy dominated by multinationals, with their new international division of labor and their greater autonomy from nation state control; and the ‘globalization’ of the new financial markets, linked by the communication revolution.

Fordism is grounded in a set of mass production practices that were pioneered by Henry Ford and are now widely seen as the dominant form of production for most of the twentieth century. These practices were founded on the principles of standardization, mechanization, scientific management, and the rationalization of work through the use of an assembly line that fixed the worker in both space and time (Murray, 1989; Taylor, 1911). The resulting system cut manufacturing costs greatly and the system’s dependence on economies of scale created a compelling need for high volume production. Despite Ford’s attempts, Fordism as a system evolved over a long period of time stretching over nearly half a century and depended upon “myriad individual, corporate, institutional, and state decisions, many of them unwitting political choices or knee-jerk responses to the crisis tendencies of capitalism, particularly as manifest in the great depression of the 1930s” (Harvey, 1989: 127). Several developments permitted the emergence of Fordism as a full-fledged regime of accumulation. The depression of the 1930s led to the adoption of Keynesian economics and the emergence of a form of the welfare state. The Second World War saw the rise and rationalization of industries such as steel, petrochemicals, automobiles, electric goods, and construction. Radical working-class movements lost ground and the Taft-Hartley Act of 1947 trimmed the sails of the labour movement;
power in collective bargaining by unions was largely won at the expense of conceding collaboration to the Fordist systems of production. State fiscal policies organized investment in sectors like transportation and public utilities in order to try and promote full employment and to stabilize mass production and mass consumption. Fordism spread internationally too as a consequence of the post-war rebuilding efforts. The United States became the world’s banker under the Bretton Woods agreement and GATT helped stabilize international currency and commodity markets. Under this regime, the economies of capitalist nations, and in particular that of the United States, prospered for the 25-year period following the Second World War during which “mass production was coupled with mass consumption in a virtuous circle of growth” (Graham, 1992: 394).

By the late 1960s, Fordism had begun to unravel. Many factors contributed to the beginning of Fordism’s demise as a coherent regime. The recoveries of the Japanese and West European markets resulted in the beginnings of true international competition led by the desire of these nations to find markets for their surplus production. The Bretton Woods agreement collapsed and the international monetary system experienced highly volatile exchange rates. Labour resistance to the increasing Taylorization of work intensified (Edwards, 1979), consumption patterns failed to keep up with the capacities of the mass production system, niche markets for specialized and luxury products grew faster than the markets for standardized products, and the social safety system started to wither (Graham, 1992).

While the general analyses of the resulting crisis tend to point at the changing pattern of demand resulting from international competition and the saturation of the durable-goods market (the so-called underconsumption crisis; see Piore & Sabel, 1984), many argue that the latent crisis of over-accumulation inherent in the Fordist paradigm led to a decline in the growth of productivity in the 1960s resulting in a corresponding decline in profitability (Leborgne & Lipietz, 1988). Management reacted to this decline through policies of internationalization and the state through practices of austerity. This, in turn, was responsible for the crisis in employment and in the working of the welfare state; the dual onslaught of stagnation and internationalization precipitated the demand crisis of the 1970s.

The broad consensus on the crisis of Fordism pointed accusingly at the rigidities of the system that prevented, or at least delayed, its ability to respond to the changing times. These rigidities could be seen at several different levels. First, capital was locked into investments that were based on large-scale and long-term mass production systems which in turn depended upon the sustenance of growing demands of the market. Second, the model of labour relations followed in the United States and elsewhere and the corresponding nature of labour power created rigidities in labour allocation and utilization. Third, the state’s commitments to entitlement programmes such as social security and pension rights (along with its war spending in Vietnam) limited its ability to launch a serious fiscal plan to counter the threat of the emerging crisis leading eventually to a monetary policy that resulted in the stagflation that heralded the end of the post-war prosperity (Aglietta, 1979; Arrighi, 2010; Harvey, 1989).

The system worked well as a stable mode of macroeconomic growth as long as undifferentiated mass production could be sustained by mass consumption. Mass production led to rising productivity based on economies of scale. Incomes, linked to productivity, rose correspondingly leading to an increased mass demand based on rising wages. As a greater amount of investment was directed towards the improvement of mass production equipment and techniques and as the capacity utilization increased, profits grew, leading to the virtuous cycle of Fordist growth (Jessop, 1994). The limits reached by the growth potential of mass production, the saturation of mass markets, and the disruption of Fordist accumulation due to internationalization brought the problems of Fordist rigidities into sharp focus and demanded resolution.
Post-Fordist response: the age of flexibility

Since the crisis of Fordism was perceived as a crisis of rigidity, the institutional and managerial response to this crisis therefore, had to address this ‘problem’. Gradually at first, but with increasing intensity, organizations embraced the notion of flexibility. The new system that took root came to be characterized by flexible manufacturing systems that allowed firms to cater to niche – as opposed to mass – markets, flexible work practices combined with flexible labour processes, and flexible consumption patterns, while a new mode of macroeconomic growth, characterized by flexible accumulation, replaced the old regime. Some of the prominent features of this system included dual labour markets, accelerated deunionization, erosion of the social contract between management and labour, a shift towards a service economy domestically with the concomitant globalization of manufacturing, financial deregulation, and an increasing use of computers and information technologies which contributed to a growing space–time compression.

The concept of flexibility is difficult to pin down if only for the reason that it is used in so many different ways. This multi-dimensional idea extends in a variety of directions (see Sayer & Walker, 1992; Schoenberger, 1989) and finds its way in terms such as flexible machinery (Kaplinsky, 1984), flexible employment (Standing, 1992), flexible technologies and manufacturing systems (Zammuto & O’Connor, 1992), flexible specialization (Piore & Sabel, 1984), flexible product types (Storper & Scott, 1988), flexible labour skills (Atkinson & Meager, 1986), flexible employment (Atkinson, 1984), flexible organizational forms (Scott, 1988; Sabel, 1989), and flexible accumulation (Harvey, 1989). In addition, flexibility is used in conjunction with labour–management relationships, size of the firm, scale of output, and locational tendencies (Gertler, 1988; Piore & Sabel, 1984; Storper & Scott, 1988). Flexibility is also seen to operate at various levels from the production process (flexible manufacturing systems) to issues of labour processes and labour markets (functional and numerical flexibilities) to competitive firm strategies (flexible specialization and integration) to the broad bases upon which organizational economies are founded (flexible accumulation).

The concept of flexible accumulation, which is based upon the work of scholars known to English-speaking audiences as the French regulation school (e.g. Aglietta, 1979; Boyer, 1988; Lipietz, 1987) attempts to theorize the relationships between the sphere of production and consumption and the role of the state in these domains. According to the regulationists, it is inadequate to examine regimes of production as being based on a single set of unchanging laws. Rather, history needs to be seen as “a succession of phases, each distinguished by certain historically developed, socio-institutionally defined structural forms that give rise, so long as they are maintained, to distinctive economic trends and patterns” (Brenner & Glick, 1991: 46). The claim the regulationists make is that historically different solutions (or modes of development) have been employed to tackle the problems arising due to the wage-relations in society and the commodity-producing nature of capitalism. Each mode of development involves a macroeconomic pattern (a regime of accumulation) which allocates social output between consumption and accumulation, and a collection of widely accepted, institutionalized rules that unite the decentralized decisions taken by individual economic units into a coherent system of economic relationships (a mode of regulation).

A regime of accumulation is concerned with the allocation of the net product between consumption and accumulation. In order to stabilize this allocation, all political–economic agents – capitalists, managers, workers, financial institutions, state agencies – need to work in a relatively coherent manner. The role of the state and other social–political–economic decision-makers is to use a mode of regulation that persuades, influences, and regulates laws and norms in order to
ensure the unity of the regime of accumulation. The regulationists argue that the transition to a flexible regime of accumulation commenced in the early 1970s after the first oil crisis followed by the period of stagflation – a sign that the post-Second World War boom had ended. It was characterized by a restructuring of the labour market (the division of the labour market into a core group of full-time employees with employment benefits and reskilling prospects and a peripheral group of part-time or casual workers, short-term contract staffs, temporary employees, and sub-contractors), patterns of uneven development (both domestically and globally), a space–time compression (accomplished through fast means of communication and transport leading to easier geographical, often global, dispersion of production activity), the replacement in some sectors of economies of scale by economies of scope, the increasing importance of timely access to new technologies and products, and the reorganization of the global and national financial systems (deregulation of the financial system in the United States, the replacement of the Bretton Woods agreement with a flexible exchange rate, the formation of global financial conglomerates, and the creation of new financial markets and instruments). This regime of accumulation thus attempted to respond to “the crises of flagging productivity gains, increasing international competition, market saturation, and excessively rigid fixed capital and labour”. Competition was thought to be “based increasingly upon firms’ flexibility, and hence it [fell] to the state to help overcome rigidities through exhortation and legislation which deregulates key markets such as finance and labor” (Gertler, 1988: 422).

In contrast to the neo-Schumpeterian (Freeman & Perez, 1988, for instance) and the neo-Smithian perspectives (Piore & Sabel, 1984, for instance), the regulation school was concerned not so much with the capitalist forces of production but with the reproduction of capitalism itself. It seriously asked the questions of how capitalism weathers the chaos and conflict inherent in the phases of creative destruction and of what permits the advent of new paradigms that replace existing systems with other cohesive and stable ones.

The argument of the regulationists was that the Golden Age of capitalism represented by Fordism depended not only on the sectors of production goods but also on the sector of consumption goods. It drew sustenance from “a new wage-labor nexus which recognized wages not only as a cost but also an outlet for expanding capitalist production” (Elam, 1994: 63) leading to a “mutually advantageous compromise” between the capitalist and the labour class (DeVroey, 1984: 56). The crisis of Fordism led to the breakdown of this compromise due to (1), limits reached by the division of labour; (2), the expansion of mass production, the intensification of economies of scale, the globalization of production and sales, the increased competition between countries, and the massive penetration of domestic markets; (3), the increase in social expenditure through collective consumption activities such as education and health, and the consequent inflationary pressures; and (4), the changing consumption patterns of the affluent worker and the corresponding demand for non-standardized goods.

The regulationists, unlike the neo-Schumpeterians and the neo-Smithians, rejected both technological and market determinism, and did not offer a definite view of the future. For them, the future was a contested terrain and “the new rule book of capitalism” had “room for many more co-authors” (Elam, 1994: 66). The period of flexible accumulation propelled capitalism decisively into a new configuration, in which both supply and demand were significantly restructured (Scott, 2001). An interplay of globalization and technological development along with the loosening of a variety of regulations and the new porosity of nation-state borders unleashed financial and production capital resulting in a phase of dramatic economic expansion in world capitalism. The result of the search for flexibility had a remarkable impact on labour in the United States.
The flexible firm

The notion of the flexible firm drew a lot of attention in the mid-1980s (see Atkinson and Meager, 1986; Brown, 1986; Pollert, 1988; Shutt & Whittington, 1987). Drawing upon the managerialist literature, the flexible firm model made the claim that the shift in managerial practices was fuelled by the increasing demand for labour flexibility. Atkinson and Meager (1986) suggested that the search for functional flexibility and numerical flexibility resulted in the separation of the work force into core and peripheral groups. The ‘core’ was comprised of workers, managers, and other professionals who were essential to the basic structure of the firm. This group had full-time permanent status, relatively strong job security, prospects for promotion, and better compensation benefits. In return, the members of this group offered adaptability, flexibility, and mobility. Functional flexibility, which was closely linked to multiskilling, was primarily associated with this core group of workers. By taking on multiple roles and thus crossing rigid occupational boundaries, the core provided the organization with not only functional flexibility in the labor process but also flexibility in time “in terms of adjusting more closely to production demands” (Pollert, 1988: 47).

Other groups of workers were submitted to different strategies of peripheralization (Penn, 1992), thus offering the organization a degree of numerical flexibility. This ‘periphery’ consisted of workers who were either irregularly employed or who were not directly employed by the firm. The flexible firm model separated the periphery into two groups. The first peripheral group was drawn from the secondary labour market and offered full-time employment to clerical, secretarial, and lesser skilled workers who performed routine jobs and had very limited career opportunities. Since this group typically exhibited a high turnover, workforce reductions were relatively easy. The second peripheral group offered organizations the strategic opportunity to enhance numerical flexibility in the firm through the use of part-time and casual labour, fixed-term contract employees, temporary workers, and sub-contractors. This casualization of a large part of the labour force was reflected in the brutal downsizing and relentless layoffs that were seen through much of the 1980s and 1990s.

The globalization of the economy was accompanied by a shift from manufacturing to services in the US economy, driven in large part by cheaper labour costs abroad (see Bluestone & Harrison, 1982 for a discussion on the deindustrialization of America). Since manufacturing industries tended to be heavily unionized with even non-union jobs benefiting from union-scale pays, the dismantling of a sector that employed nearly a third of US workers had a significant effect on the wages of the workforce. The service jobs that came to dominate the economy ranged from highly-skilled, well-paid professions such as surgeons, financial analysts, and IT engineers to low-skilled, poorly paid occupations such as health aides, data-entry operators, and restaurant workers. This huge disparity resulted in a widening of the income gap among American workers. Bluestone (1995: 21) contends that “between 1963 and 1987, the earnings ratio between college graduates and high school dropouts working in the goods-producing sector (mining, construction, and manufacturing) widened from 2.11 to 2.42 – an increase of 15 percent. In services, however, the school-related earnings ratio mushroomed from 2.20 to 3.52 – a 60 percent increase.”

A significant feature of the knowledge economy was the advent of new information technologies, which played a vital role in the reconfiguring of global labour, and were pivotal to the project of flexibility that defines the new organizational paradigm. The IT revolution changed the landscape of organizations in a fundamental fashion with significant implications for US labour. First, it facilitated mass production through programmed production, flexible specialization, flexible manufacturing, and mass customization. Production of undifferentiated goods
and services could now be replaced by customized small batch production for niche markets. Second, it broke down the traditional nature of the division of labour resulting in newer forms of job classifications, mergers between blue- and white-collar work, and the production of newer forms of workers (Zuboff, 1988). Third, it allowed integration across organizational boundaries, creating the possibilities of linkages between and among firms, suppliers, and customers. In Williamson’s (1975) terms, it encouraged the use of markets over hierarchies as coordinating mechanisms, extending the geographical reach of organizations, and assisting the process of decentralization. Information technologies were seen as having the potential to create a frictionless market economy, and a ‘virtual corporation’—an entrepreneurial firm with low fixed costs and a tiny core of permanent workers, whose work was predominantly performed by contract labour (Davidow & Malone, 1992; Kuttner, 1997). The deployment of information technologies, the shift towards a service economy, and the transformation to a knowledge economy brought about a set of profound changes in the macroeconomic environment, especially in terms of labour–management relations and the regulatory framework.

The globalized flexible firm had a huge impact on the organized labour movement in the United States and elsewhere. In their book *The Transformation of American Industrial Relations*, Kochan, Katz, and McKersie (1986: 6) outlined the issues at stake for the future of industrial relations and argued for a strategic choice perspective to deal with the fundamental transformation in the nature of organizing in general and the industrial relations system in particular:

Once again, American society in general, and American unions in particular, face fundamental choices with respect to the most basic questions concerning the structure of employment relationships. Is there still a ‘need’ for unions? … Should collective bargaining be promoted, or are new forms of employee participation and representation needed to supplement or substitute for this process? … How can the basic clash between a democratic society’s need for a free labor movement be reconciled with the deep-seated opposition to unions embedded in American managerial ideology?

Ever since the 1930s, the institution of collective bargaining had been the predominant mode of workplace governance in large organizations, thanks to the organizing drives of the AFL and the CIO in the 1930s and the 1940s, and the passage of the Wagner Act in 1935. Membership of non-agricultural organized labour had soared to around 9 million in 1940, and to over 14 million in 1945—a representation equalling 35.5 per cent of the workforce. Unions never saw this peak again. The challenge to unionism which began around the mid-1950s involved unions in a losing battle for membership which has now turned into a battle for survival. The decline of the institution of collective bargaining was clearly reflected in the figures: union representation in the private workforce had slid down to 19 per cent by the mid-1980s and to 12 per cent by the mid-1990s.

As Harvey (1989) argues, the defeat of the radical union movement in order to ensure worker participation in the drudgery of the assembly line was a vital element in the Fordist mix. Strong anti-union measures, helped by the passage of the Taft–Hartley Act, were adopted by management, and workers were routinely fired for signing union cards (Weiler, 1990). As globalization proceeded through the 1990s, the threat of layoffs and plant closures was used effectively to reduce the power and the presence of unions. Collective bargaining negotiations were mostly focused on management demands for ‘givebacks’ by labour (Kuttner, 1997) and union-busting management strategies met with little resistance from the already weak unions.

All this was facilitated through a climate of deregulation which intensified in the early 1980s. It was spurred by the demand for flexibility made by a corporate sector that felt hobbled by the
constraints placed upon it, and which saw regulation as a needless intervention by the state in the
arena of commerce. Experts, scholars, and consultants argued that the changing paradigm,
particularly in the context of increasing global competition, required firms to be lean and nim-
bile in order to enable them to react quickly to the dynamic environment (Kanter, 1989; Peters,
1992). Regulations were seen as holding corporations back and as an impediment that had
helped generate the Fordist crisis. Deregulation, aided by the rise of laissez-faire economics,
took several forms, two of which are immediately relevant for our argument. First, the deregu-
lation of industrial sectors such as telecommunications, airlines, trucking, healthcare, and utilities
created conditions that forced corporations into competitive price cutting, most of which was
accomplished by lowering labour costs. Second, the reluctance of the state to continue its role
of reducing inequality through wage regulation resulted in the stagnation of minimum wages
and the absence of regulatory oversight, which allowed companies to super-exploit workers in
modern-day sweatshops and many forms of service work. Immigrant labour was increasingly
used to perform tough tasks for very poor pay, while the state agencies looked the other way or
were too strapped for resources to be able to conduct effective enforcement (see Bowe, 2007
for an account of what he calls “modern American slave labor,” and Mathew, 2005 for a detailed
story of the transformation of the New York City taxi industry). Along with the decline of
organized labour, wage deregulation took away “two of the principal countervailing forces off-
setting the market’s tendency to create extreme earnings-inequality” (Kuttner, 1997: 96).

A significant consequence of these forms of flexibility was the growth of inequality, by now a
very well-documented economic trend (Piketty, 2013). Data from the US Census Bureau shows
the upward trend of the Gini coefficient of US households from the late 1960s to the present,
while the growing inequalities in both wealth and income and the increasing concentration of
both among a handful of people (the ‘one percent’ made emblematic by the Occupy Wall Street
movement) has been underlined by a variety of observers and researchers (Graeber, 2011). The
causes of this inequality can be found to a very large extent in the erosion of a long-held social
contract between capital and labour, the emergence of the dual labour market, the shift to the
service economy and the loss of well-paying manufacturing jobs, the erosion of union power
and their ability to collectively bargain for better wages, the diminishing value of minimum
wage along with the withering of the welfare state, the lack of regulatory oversight on wages and
work practices, turbulences in the labour market and the insecurities caused by layoffs and plant
closings, relatively high unemployment (with the exception of the late 1990s), trade policies and
the pressures of cheap imports that forced labour to take pay cuts, and the increasing size of a
low-wage immigrant workforce.

**Flexibility revisited**

‘Flexibility’, as outlined above, is clearly more than a descriptor of managerial practices. It is a
trope that stands in for a broader paradigmatic position, characterized by a faith in new forms
of employment, new inter-firm relationships, new technologies, and new organizational forms.
It claims to represent a socio-technological paradigm which values skills, innovation, and par-
ticipation, and liberates organizations from the yoke of wage regulation, place restrictions, and
demanding unions.

However, some questions need to be addressed in order to engage more satisfactorily with
this concept. To begin with, we need to ask whether ‘flexibility’ is a novel concept, one that was
an innovative response to the Fordist rigidities that became a problem for the economy from the
late 1960s onwards, or whether it is part of a longer pattern of capitalist development (Arrighi,
2007, 2010). Some scholars have contended that flexibility is a mere ahistoric ‘discovery’ of labour market uncertainty, thus drawing our attention to its ideological dimension, which seeks to legitimize an array of managerial practices and allow the “discussion of restructuring to veer away from the global issues of capital structure, investment, exchange rates, trade relations, to the homely and apparently more manageable ‘problem’ of labour” (Pollert, 1988: 43). Flexibility of commodified labour has long been used within the capitalist enterprise; for example, the presence of a ‘reserve army of labour’ has always provided the necessary basis for the competitiveness of the labour market and the consequent control on wages and the recalcitrant worker. Seen from this perspective, the notion of flexibility might be considered an ideological attempt to legitimate the secondary economy, casualization of labour, unemployment and insecurity, and to position the new forms of labour market segmentation as an imperative for the new post-Fordist times. Further, as Fernand Braudel (1982) pointed out in his magnum opus, *Civilization and Capitalism, 15th–18th Centuries*, flexibility has always been a central feature of historical capitalism right from its thirteenth-century manifestations in the Italian city states of Venice and Genoa. What Braudel convincingly argues is that notwithstanding the concrete forms that capital took over time, its essential characteristic was (and remains) its capacity to transform and adapt itself in the pursuit of converting money capital into an increased amount of money capital. In Marx’s (1887/1976) general formula of capital (M–C–M′), the expanded liquidity afforded to the capitalist in the form of M′ is the true objective of the capitalist enterprise. The conversion of the initial capital (M) into commodity capital (C) is merely the means towards M′. When expedient, for instance under the conditions of falling rates of profit, the capitalist is perfectly willing to shorten this circuit and turn M directly into M′ (Marx’s abridged formula). This is the dominant form of capitalist accumulation during periods of financialization.

World systems theorists such as Fernand Braudel (1982), Immanuel Wallerstein (1984), Andre Gunder Frank (1998), and Giovanni Arrighi (2010) assert that the turn to financialization which marks the era of flexible accumulation is not a new phenomenon but part of a recurrent tendency of historical capitalism. In their formulation, financialization is a marker of the maturity of a phase of capitalist development and represents a fundamental reorganization of the regime of accumulation. The argument runs as follows (see Arrighi, 2010 for a detailed analysis): Periods of material expansion lead to over-accumulation of capital, resulting in a sharp increase in inter-capitalist competition. Capitalists, hitherto operating in their own spheres, begin to poach on the territory of others. In the presence of such competition, earlier cooperative arrangements fall by the wayside. As profit margins fall, capitalist agencies seek to keep money in a liquid form (the share of US corporate profits accounted for by financial firms surpassed that of manufacturing by the 1990s, as demonstrated with some clarity by Krippner, 2005), thus producing the supply conditions for liquid capital. The demand for this capital is generated by states, which faced with budgetary constraints as a result of the slowdown of material expansion, compete with one another for mobile capital. It is useful to note here that Max Weber (1961, 1978) had argued that inter-state competition for capital was a major feature of the modern period, calling it “the world-historical distinctiveness of the era” (Weber, 1978: 354). The economic slowdown of such periods exacerbates the competition for capital, leading to a period of financial expansion. The high demand for capital accumulated in the financial markets results in the so-called belle époques of financial capitalism, which are characterized by a vast redistribution of income and wealth from different segments of the society to the individuals, institutions, and agencies that control the financial markets. Such periods are marked by increasing inequalities in societies. As Braudel details, this was seen during periods of the financial expansions in sixteenth-century Italy, eighteenth-century Holland, and twentieth-century England. Arrighi (2010) adds that the
financial expansion of the 1980s onwards in the United States echoes the same pattern. In *Capital*, Marx (1867) had briefly pointed towards these tendencies in the following paragraph:

> With the national debt arose an international credit system, which often conceals one of the sources of primitive accumulation in this or that people. Thus the villainies of the Venetian thieving system formed one of the secret bases of the capital-wealth of Holland to whom Venice in her decadence lent large sums of money. So also was it with Holland and England. By the beginning of the 18th century the Dutch manufactures were far outstripped. Holland had ceased to be the nation preponderant in commerce and industry. One of its main lines of business, therefore, from 1701–1776, is the lending out of enormous amounts of capital, especially to its great rival England. The same thing is going on today between England and the United States. A great deal of capital, which appears today in the United States without any certificate of birth, was yesterday, in England, the capitalised blood of children.

Flexibility, seen through the lens of these arguments serves as a shorthand for a particular set of practices at a specific stage in the cycle of capitalist development. In that sense, it is not a novel feature of this era, but an indicator that a period of material expansion has ended and that the turn to financialization has commenced. The financial crisis of 2008 can be seen as the culmination of that turn, a stage of ‘terminal crisis’ for a particular regime of accumulation, and a possible move to a different kind of regime, one that remains to be negotiated.

The ‘post’ in post-Fordism announced a cleavage from the past and signalled a departure from the world of Fordism. But as the arguments above demonstrate, the contention of a departure itself must be seriously questioned. While the ‘new’ organizational paradigm is characterized by newer permutations of the rules of capitalist enterprises, the transformation points not so much to a radical departure from Fordism but to the construction of a new structure that relies significantly on the foundation of Fordism for its sustenance. In that sense, post-Fordism needs to be read as post-Fordism as much as it is read as post-Fordism, marked both by its continuities with the older regime and by its differences.

The history of organizational theory and managerial practice during this period must be understood within the framework of not merely the system of production but also the systems of power and signification (Escobar, 2005). While the systems of production and power work towards the transformation of human beings into productive subjects that can be subjected to managerial control, they are naturalized through the use of a dominant discourse. Organizational theory has played a huge part in that discourse: the stability of a regime of accumulation demands the creation of the individual as a labouring body subject to disciplinary mechanisms as well as the production of ‘subjecthood’ that allows the reification and the hegemony of the concepts of production, consumption, competitiveness, and efficiency. Fordism and the regimes that replace it should thus be read as systems of production and control but also as systems of legitimation. The crisis of a regime of accumulation, therefore, is not just an economic crisis, but also a crisis of legitimation.

These two spheres are intricately intertwined since the implementation of any policies of reform in response to a crisis – including the ongoing one – requires not just a set of solutions to the problem, but also their acceptance by the stakeholders, whose influence is directly proportional to their power. The crisis of Fordism produced a set of responses that limited worker power, weakened regulatory oversight, enabled price competition that spurred wage-cutting, greatly expanded the dual labour market converting large segments of the primary labour-market into casual labour, and moved manufacturing to low-wage countries. This reflected not merely a shift in economic and policy priorities, but also a shift in political power. As we negotiate a tumultuous economic period, where the organizational landscape is being redefined, organizational scholarship has an
obligation to intervene in the discourse, and to revisit the debates from the earlier crises, especially in order to unpack its ideological underpinnings. As always, the resolution of the contradictions served up by the changing times will form part of a contested terrain.

References

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