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FORDISM TO NEO-FORDISM: A STUDY IN ECONOMIC GEOGRAPHY

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ABSTRACT

The article is about analysing the macro-level changes in the production system that had experienced during the dominance of Fordism (between 1945 to 1973) and what we are experiencing presently under Neo-Fordism (also called Post-Fordism). Analysing such macro-level changes in the production system is one of the domains of field of economic geography which deals with spatial analysis of different kinds of economic activities.

INTRODUCTION

The discipline of economic geography is basically about the location, distribution and spatial organization of economic activities on the earth's surface. Under the broad theme of economic activities, we study types of economic activities and how different material things and services are produced and consumed across the geographical space. It has been observed that the nature of production system changes across space and time. The ways majority of the materials things are being manufactured in the contemporary period of Neo-Fordism are different the ways they were produced previously during the period of Fordism. The present research paper analyses these macro-level changes in the production system as noticed during Fordism and Neo-Fordism.

CHANGES IN PRODUCTION SYSTEM: Fordism to Neo-Fordism

In the last few decades, different scholars have analyzed the economic changes that are going on at the global level. One of such prominent writers is David Harvey (1989) who is of the view that we are witnessing a shift from Fordism to Neo-Fordism and processes related to globalisation are one of the major instrumental factors behind the ongoing changes in the production system that we are experiencing from local to global level.

1. Fordism:

Fordism dominated the Western Capitalism from 1945 to 1973. This period is generally referred to as period of Golden Age of Capitalism wherein affluence prevailed in majority of the present day developed world. It was basically a type of production system named after Henry Ford, the American automobile manufacturer. He had created the Ford Motor Company and introduced the 'Model-T Car'. His success and revolutionary techniques of production are usually referred to as 'Fordism'. The term 'Fordism', in fact, was originally used by Antonio Gramsci (Italian Marxist philosopher and politician) in Benito Mussolini's Jail. He used the term in 1934 in his essay 'Americianism and Fordism' in his Prison Notebooks. The main characteristic of this period was 'mass production' which was linked with 'mass consumption'. In overall terms, the period of Fordism was characterized by:

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1. Large scale adoption of assembly line production system which was based on highly specialized and differentiated division of labour. The purpose was to produce large volume of affordable goods for mass consumption. The companies during that time were very large in size as they follow the process of 'vertical integration', i.e., all steps involved in the production to the distribution of a product were controlled by a single company. Even there were mergers of companies involved in different stages of production to distribution of a product into one company. In order to improve the efficiency of workers, mass production was based on the principles of scientific management as developed by F.W. Taylor. He was "an industrial engineer who took part in the efficiency movement, and introduced a new management system which combined detailed time management for a worker's every motion, with careful coordination and planning management, combined with an incentive wage system based on output volumes" (Aoyama, Murphy and Hanson, 2011: 104). One of the most important methods used by Ford for mass production was employment of workers at the 'assembly line'. He was one of the first to realize the potential of the electric motor to reconfigure workflow. This moving assembly line was first implemented at Ford's Model-T Plant at Highland Park, Michigan in 1914. This had increased the labour productivity many times (estimated to be tenfold);
2. High wages were given to the worker. This was to ensure mass consumption of the products produced at large scale. Ford had "encouraged mass consumption through advertising, higher wages and the supply of relatively inexpensive products. Mass production cannot occur without mass marketing to encourage mass consumption. Both these business techniques were developed and refined in the United States before being exported to other countries" (Daniels, Bradshaw, Shaw and Sidaway, 2003:351). Jobs to the workers were largely regular in nature;
3. State policies were largely based on the ideas given by British economist, John Maynard Keynes who advocated for government intervention in the market functioning. The purpose was to stabilize, regulate and protect national markets. It led to workable relationships between business interests and the labour unions. The role of government got enhanced not only to regulate the unwanted side-effects of market forces but also to mediate the relationship between organized business and organized labour. After the Great Depression of 1929-39, the role of government expanded dramatically. Hence full employment, the management of the national economy and the organization of various dimensions of social well being were considered responsibility of the government.

"At the peak of its development, the regime of Fordist accumulation was geographically associated with a series of great industrial regions in North America and western Europe, as represented by the Manufacturing Belt of the United States and the zone of industrial development in Europe stretching from the Midlands of England through northern France, Belgium, and Holland to the Ruhr of West Germany, with many additional outlying districts at various locations" (Scott, 2003:127).

2. Crisis in Fordism and Rise of Neo-Fordism

In the 'Golden Age of Capitalism' i.e. 1945-1973, the "corporate profits in the

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advanced capitalist countries were buoyant, average incomes were increasing, rates of economic growth were strong, and rates of unemployment low” (Cox, 2002:335). However, from the early 1970s things started changing dramatically. This period has been termed as “the long downturn” (Cox, 2002:335). During the period, “corporate profit rates dipped, investment accordingly lagged, growth rates declined and unemployment increased dramatically” (Cox, 2002:335). This was especially the scenario in regard to advanced capitalist countries. The sharp recession of 1973 (oil shock) deteriorated the economic situation further. In fact, the 1970s and 1980s were the decades of flux and uncertainty, however, some efforts were made on the fronts of economic restructuring, social and political adjustment. This had led to a new period of accumulation, a quite different system of political and social regulation from the period of Fordism. Harvey (1989: 124) has termed it as “Flexible Regime of Accumulation”. It came as a direct reaction to the rigidities of Fordism and characterized two things. One, 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 under developed regions...” (Harvey, 1989:147). Two, it has also led to what Harvey (1989:147) has termed as “Time-space Compression”. The advancements made in the field of transport and communication technologies have led to compression of time and space. This has not only led to the movement of people between places but also global flows of information and integration of places.

In the overall scenario of economic instability that prevailed between 1970s and 1980s, the manufacturing firms located in advanced countries looked around for different avenues for the purpose of re-gaining their previously attained profit rates. The basic reason behind the decline in profit rates was the lack of demand which was associated with rising unemployment in developed countries. In this search of profitable avenues it was found that same could be restored either by reducing the costs of operation as adopted by Japan in the form of ‘Just-in-Time’ (JIT) arrangements or through ‘off-shoring of industries’ or both.

Just-in-time’ (JIT) production system

In the going-on phase of Neo-Fordism, the logic of mass-production coupled with mass consumption of Fordism has been modified by the addition of more flexible production, distribution and marketing systems. It is basically about having flexibility in the production system. Flexibility here means a system in which there is some flexibility that allows the system to react in case of changes, whether predicted or unpredicted. This allows the manufacturers to shift quickly and effectively from one level of output to another and from one product configuration to another. This flexibility in the production process is not only a feature within firms but also between the firms. A great deal of flexibility is basically the outcome of the new technologies adopted by the firms. Now machines are computerized which are more capable of producing different kinds of products and also capable of giving different designs to a product. Only reprogramming of machines is required. Even a casual visit to any market can reveal this fact that how many varieties of a product are available for

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the consumers now-a-days. Take the case of ball pen, mobile phones, watches etc. Rather than investing huge amount of money on the mass production of a single product (as was the case during Fordism), firms based on computer systems are flexible and respond as per the choices of the market quickly. From the 'economies of scale' during the Fordism, we under Neo-Fordism have shifted to 'economies of scope'. This has helped the manufacturer to satisfy the rapidly changing needs of the market. From mass production, now emphasis is on to manufacture a variety of goods cheaply and that in small batches. Under this system, the production depends upon the requirements/tastes of the consumers and the manufacturers are no longer needed to stock up a given product. Products are rather made according to demand and they are out the door in minimum possible time for supply and consumption. This is usually known as 'Just-in-Time' (JIT) production system, similar to 'kanban' production system of Japan. Importantly, production of small volumes means less needed manufacturing/warehouse space which not only creates less land rent but also minimizes the risk factor in case of market failure, say less demand of a product. This has also reduced the 'downtime' in production process to manufacture different products.

Off-shoring of industries

Under 'off-shoring of industries', manufacturing activities shifted from advanced developed countries to developing countries. This process had led to deindustrialization of developed countries and industrialization of some of the developing countries. In this process of deindustrialization, the manufacturers had explored new division of labour of developing world known as 'New International Division of Labour' (NIDL). The labour in these countries is low-skilled but cheap. More importantly, these are also the countries where the social contract with labour is either weakly enforced or non-existent. To take advantage of this low-skilled and cheap labour, foreign direct investment in developing countries has also increased in recent decades. Different parts produced at different locations of the world are imported at various locations in Western Europe, North America, China etc. for further processing or assembling. This is usually known as the 'vertical disintegration' of the firm.

The vertical disintegration is the form of business organization in which specialized firms are created and operate. From the period of Fordism when a single firm maintained the assembly line from raw materials to finished products, under Neo-Fordism production process has become fragmented as individual firms manufacture only those items/parts of a product in which they are specialized. It means in majority of the cases, firms are not manufacturing a product in complete sense. Rather firms give contract to different firms located in different parts of the world to produce different sub-parts of a product and then all sub-parts are assembled at a location to make a complete whole. The overall purpose is to reduce the production cost. This is going on in production of majority of products we are using in our day today life, e.g. car, television, lap-top, mobile phone etc. The success of this method also lies in the availability and use of information technology. A computer system is used to adjust deliveries at short notice to meet changing demand. The goal is to reduce costs by eliminating waste from over production and minimizing warehousing. With computer based information systems, Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM) systems and computerized machine tools, the manufacturer is able to exploit the local choices of the consumer. Now different production sites functioning in different parts of the world are largely integrated and co-ordinate through computer and

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internet systems. Similarly the global networking of different centers either dealing in production or retail allows manufacturers to analyse the data regarding retail sale and wholesale orders across the world and that in real time framework. In this way firms are also able to reduce the size of their work force. This also reduces the cost of production and minimizes the risks involved in the multi-million dollar projects of MNCs. As a consequence of 'vertical dis-integration of industries', manufacturing units are now smaller in size. This system of production dominates the most industrialized countries of the world; however, its signs are very much clearly observable in developing countries also. The processes of globalization in terms of advancements made in transport and communication technologies have accelerated the shift from Fordism to Neo-Fordism. The other big change that has come under Neo-Fordism is the shift from regular employment to part time/contractual jobs. It means now there is less job security for the worker. The picture of women worker is worse as the MNCs are exploiting vulnerable women worker in terms of extremely low wages and almost no job security. In overall terms, in the business environment so emerging, the powers of labour unions are either abolished or minimum.

Conclusion:

Since the World War II, the world has experienced enormous changes in terms of the ways different material things are being produced and where they are being produced. From the phase of rigidity during the phase of Fordism, we, under the period of Neo-fordism, are now in the phase of flexibility in terms of what to produce, how much to produce and where to produce. A lot of variety is available in the market for the consumers and the choice of consumer has become the determining factor in what to produce and how much to produce. The search for profitable avenues for the manufacturing firms has led to deindustrialization in developed countries and industrialization in many of the developing countries. The other big change that has been experienced is in the context of worker. There is a shift from regular employment to part time/contractual employment with almost no job security.

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