

We seem to have forgotten Fordism

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[Will Hutton made an interesting point](#) in the Observer yesterday:

Fewer than 150,000 jobs are directly involved in the making of [1.4 million cars and more than 3 million engines in the UK each year] and the numbers have been gently falling for years as modern production techniques transform productivity. Tata is building a new engine plant in Wolverhampton that will be a world leader in low-carbon engines; it might create 750 jobs.

I discussed this phenomena in detail in a recent article on the new economics of social democracy, [here](#) but the way Hutton presents the argument makes it easy to draw the conclusions in a different way.

When Henry Ford built his car plant he realised that unless the product he made was cheap enough for the workers to buy then there was no point in building it: there was no market to supply. This was the basis of Fordism.

Now we can build cars with fewer and fewer people. Indeed we can build anything with fewer people, and although we might make more 'stuff' the number of people involved is still falling steadily. As a result even though those remaining people engaged on such work are well paid their share of the total reward from manufacturing is falling and profits are rising as a share of GDP. That's what happens when productivity reaches such extraordinary peaks.

The consequences of such productivity are only now becoming apparent though. The pressure and ability to consume despite stagnant or falling real wage shares was, of course, fuelled by the finance sector that promoted debt to fill the gap in demand as overall wages fell and profits grew as a result of this obvious fact. But that has proved unsustainable: the model of consumption based on personal debt growth is dying.

But with the close of that model of consumer capitalism two other things are happening. The consumer is no longer spending: growth has disappeared; the growth that has underpinned our current model of capitalism has gone. And there is no

prospect of that consumer returning when the universal reaction to debt management issues in the public and private sectors alike is to cut spending. The inevitable result is that jobs in services are being decimated: 50% youth unemployment in Spain is the obvious result. It is more than 20% in the UK.

We've forgotten the lesson of Ford. Being able to make something is not enough. Unless someone wants to buy the product then the technical ability to produce it is in very many cases pointless. And to make sure people want what can be produced they must have jobs, and jobs that pay well enough for them to afford what the market wants to offer them to buy. Those jobs either come from the production process itself or by redistributing the surplus - usually arising in the form of rent - from that production process. Those rents, on skills, on the use of resources, on the compartmentalisation of risk and so much more, belong to society but they're not being shared now. Instead they're being captured by the few who aren't paying tax and whose wealth is not trickling down.

So right now we're demanding production at the same time as we're demanding a cut in the number of producers and a cut in the number with the resources to buy what is being produced. The consequence is inevitable: this model will fail. We've forgotten Ford and the need to create markets. Instead we're now intent on destroying them.

I'm not saying Ford's idea of production was entirely right: there are limits to growth. But we'll discover those limits a lot sooner if we do not ensure that people have the capacity to buy what business has to offer, and our current model of capitalism matched with the political thinking of those who are the supposed strongest supporters of that model guarantees a dearth of consumers. In combination it's a giant suicide note for our current economic model. No wonder [we need alternatives waiting in the wings.](#)