

Political economy of Crisis and Medium-Term Factors. A Smithian approach

Patrizio Bianchi and Sandrine Labory

This paper starts with the analysis of the evolution of international trade from 1948 to 2013. Three periods are clearly separated by two breaks: 1971 (the collapse of the Bretton Woods system), and 2001 (the year of the Doha agreement):

- (i) 1948 - 1971 - Fixed exchange rates, mass consumption, price competition
- (ii) 1971 - 2001 - flexible exchange rates, product differentiation, and no-price competition.
- (iii) 2001 - Today - dollar, euro, yuan, product explosion (multiplication of products and services), "hyper-competition" (capacity to respond to and generate consumer needs).

The three periods are clearly identified by changes in the extent of the market. In view of this, the paper focuses on transformations that occurred in the organisation of production – what used to be called ‘division of labour’. In particular, the paper explores the relation between the process of market changes and the process of production reshaping, introducing the two concepts of ‘work done’ and ‘work to be done’, which are derived from Smith’s *Wealth of Nations*. ‘Work done’ is defined as the tangible organisation of production, ‘work to be done’ as the intangible set of information and capabilities –or, in Smith’s terminology, skills, dexterity and judgment - connected to production organisation.

The paper calls attention to three different modes of production organisation consistent with changes in the extent of the market, namely rigid mass production, flexible mass production, and digital global production. Finally, the paper considers crises as *medium-term transitions* between different production and market systems, on the assumption that institutions, society, and production organisation have different timing for their respective structural adjustments.