
The Limits of Regulation

A CRITICAL ANALYSIS OF
CAPITALIST DEVELOPMENT

Stavros Mavroudeas



The Limits of Regulation

A Critical Analysis of Capitalist
Development

Stavros Mavroudeas

University of Macedonia, Greece



Edward Elgar

Cheltenham, UK • Northampton, MA, USA

© Stavros Mavroudeas 2012

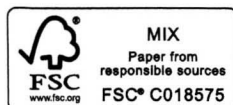
All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical or photocopying, recording, or otherwise without the prior permission of the publisher.

Published by
Edward Elgar Publishing Limited
The Lypiatts
15 Lansdown Road
Cheltenham
Glos GL50 2JA
UK

Edward Elgar Publishing, Inc.
William Pratt House
9 Dewey Court
Northampton
Massachusetts 01060
USA

A catalogue record for this book
is available from the British Library

Library of Congress Control Number: 2012935305



ISBN 978 0 85793 863 3

Typeset by Servis Filmsetting Ltd, Stockport, Cheshire
Printed and bound by MPG Books Group, UK

Abbreviations

| | |
|----------|---|
| CEPREMAP | Centre Pour la Recherche Economique et ses Applications |
| FS | Flexible specialization |
| LEM | Labour equivalent of money |
| LTV | Labour theory of value |
| MEL | Monetary equivalent of labour |
| MoP | Mode of production |
| MoR | Mode of regulation |
| NS | New solution to the transformation problem |
| OCC | Organic composition of capital |
| RoA | Regime of accumulation |
| SF | Social formation |
| SSA | Social structures of accumulation |
| TRPF | Tendency of the rate of profit to fall |

Introduction

The main aim of this book is to offer a critical survey of the Regulation Approach. The latter is an influential theoretical school, born in the 1970s and belonging to the neo-Marxist and radical political economy traditions. This strand appeared in the mid-1970s when some French researchers (Aglietta, Lipietz and Boyer the more prominent among them) produced a series of studies of the capitalist mode of production drawing on a set of identical concepts, the most famous of which are those of the 'regime of accumulation' (RoA) and the 'mode of regulation' (MoR). The RoA is defined as the form of distribution of surplus between capital and labour required each period in order to coordinate the dynamics of production with social demand. It denotes the set of essential economic conditions for the operation of the productive system, including technology, the organization of the labour process and the relations between departments of production. The MoR designates the necessary institutional forms and social compromises for the reproduction of the RoA.

Initially, Regulation's main aspiration was to provide an intermediate analysis which would locate abstract Marxist political economy in concrete historical evolution. Subsequently, Regulation gradually distanced itself from the close association with Marxist political economy and aligned with institutionalism and radical political economy while keeping its main aim of providing a concrete analysis of the historical development of capitalism. In particular, it promised to (a) better capture the historical specificities of different periods of capitalist development, (b) solve the structure-agent riddle and (c) understand the significance of institutions. In order to achieve this goal it adopted a 'middle-range' method of analysis which creates *intermediate concepts* closely related to particular historical periods. This methodology rejects abstract general (or grand) theory which seeks to establish general laws and processes of social motion and then, on the basis of these, to analyse historical developments. Middle-range methodology focuses on specific historical epochs and, instead of analytical tools of general applicability (abstract theory), it produces intermediate tools geared towards immediate empirical analysis.

The main intermediate concepts of Regulation, as already said, are the RoA and the MoR. Through their lenses Regulation attempts to grasp

the crisis-ridden historical evolution of capitalism. It argues that crises, far from leading to the demise of capitalism, generate structural transformations that facilitate its survival and longevity. Systemic contradictions aggravate social antagonisms and produce economic failures. These lead to extensive reconfigurations of the system's *modus operandi* in order to secure its existence. The key to this survival is the support lent to capitalist economic relations by appropriate institutional frameworks. Underneath this assumption lies the belief that capitalism's purely economic mechanisms are unable to secure its reproduction by themselves and necessarily require institutional support. However, for Regulation, these institutional supports are not generated by a general common mechanism but are always conjectural historical products. The famous concepts of Fordism¹ and post-Fordism are regulationist products – based on different combinations of RoAs and MoRs – which hitherto were adopted by other approaches and acquired an independent intellectual life. These concepts stem from the following analysis.

Regulation distinguishes two historical types of RoA: extensive and intensive accumulation; the former historically preceding the latter. Extensive accumulation is characterized by the incorporation of previously existing production processes into a capitalist framework, without major changes in the organization of production and with a tendency towards unbalanced and cyclical growth. Intensive accumulation, on the other hand, is characterized by the radical reorganization of production on capitalist lines and by increasing productivity. Fordism is defined as the functional linkage of intensive accumulation with mass consumption. The underlying hypothesis is that the increased productive capacity generated by intensive accumulation required outlets. Fordism is characterized by the functional integration of continuously revolutionizing production and expanding social demand (mainly as a result of the commodification of wage-earners' consumption and their increased expenditure possibilities). Regulation assumes that Fordism establishes a balanced development of the two departments of production. Finally, with the advent of the crisis of Fordism, post-Fordism is proposed as its possible successor. Emphasis is put on the new information and communication technologies, small-scale production processes, the relaxation of standardized production tasks, the significance of the service sector, new life-styles as stimulants of consumption and so on. However, the definition and the characteristics of this new configuration are far from clear. Post-Fordism is more a pivot for research than a properly defined and coherent state of affairs.

The central argument of this work is that Regulation, in order to explain the evolution of capitalism, resorts to historicism and institutionalism and adopts a middle-range methodology. It is argued that both these

theoretical and methodological perspectives are unfit for the purpose set. Middle-range methodology focuses on superficial and fleeting features of historical reality. Thus, it is unable properly to grasp either the deeper roots or the actual course of historical evolution. Historicism cannot grasp history's essential determinations and institutionalism improperly autonomizes institutions and politics from socio-economic relations. Therefore, Regulation's multi-factor intermediate concepts have limited explanatory power. Instead of being able to capture both the essential unity and the formal separation of socio-economic relations, they end up with an inordinate juxtaposition of economics, politics and so on. The lack of a general theoretical framework led Regulation from an initial mild structuralism to an equally mild post-structuralism and post-modernism. This journey created further problems for its already unstable theoretical structure, exacerbated its explanatory inefficiency and led to its present crisis of identity.

Following from this central argument, two crucial areas of Regulation theory are criticized.

The first area is its periodization theory, which it is argued hinges upon certain highly debatable empirical beliefs which are posited as indisputable truths (stylized facts). The first of these is the belief that mass production (which is equated with Taylorism) became dominant only in the inter-war period. This is rejected and it is shown that the real subjugation of labour to capital and concomitantly the predominance of the extraction of relative surplus-value predominated much earlier than the twentieth century. The second problematic regulationist stylized fact is the belief that capitalist products dominated workers' consumption only after World War II. It is shown that this also is an unsustainable hypothesis. The commodification of workers' consumption (especially by capitalist products) is a necessary prerequisite for the formation of a mass class of waged labourers and thus for the establishment of the capitalist system as such. Thus, workers' consumption provided a mass market for capitalist products long before the supposed Fordist era. Moreover, this mass market was created without an institutionally secured wage. Last but not least, the existence of a post-war social contract between capital and labour is disputed.

The second area of critique is Regulation's relationship to value theory and its macroeconomic modelling. It is shown that Regulation moved from an adherence to value theory to a gradual rejection of it in favour of price and monetary variables. This trajectory is traced back to some older French debates on value theory. It is also linked to the 'Rubin school' and the 'new solution to the transformation problem' (NS), which are also criticized as problematic. In a nutshell, it is argued that Regulation's trajectory from value to monetary concepts weakens its

analytical ability and leads to an inefficient modelling of the macrodynamics of capitalism.

The structure of this book is as follows. The first part offers a presentation and a broad overview of the Regulation Approach. Additionally, it aims to discern and define the essential content of the Regulation Approach, since the latter has witnessed a series of significant transformations during its course. More specifically, later regulationist analyses and theoretical allegiances differ significantly – at least *prima facie* – from the initial ones. One main point of this book is that, despite these ‘wild’ changes, there is an underlying common essence unifying the young and the older regulationist analyses. In order to uncover this essential content, a critical survey of the intellectual origins and inheritances of the Regulation Approach is made. This task is taken up in Chapter 2. After a preliminary overview of the history, the works, the authors and the nature of Regulation – undertaken in Chapter 1 – these origins and inheritances are examined. Particular attention is paid to a number of schools and traditions (such as Althusserianism, long wave theory, the Baran-Sweezy tradition, state monopoly capitalism theory, the *Annales* school, Keynesianism and post-Keynesianism and institutionalism) all of which conditioned – to a greater or lesser extent – the development of the Regulation Approach.

The second part of this book focuses on the methodological nature of Regulation. In Chapters 3 and 4, and on the basis of the survey of intellectual origins and empirical beliefs made in Chapters 1 and 2, Regulation’s essential methodological content is established. This is shown to be made up of a middle-range methodology combined with a set of perceived empirical beliefs on which the theory is based. Subsequently, this methodology and its accompanying empirical beliefs are shown to be related to Regulation’s periodization of capitalism. A critique of this whole theoretical configuration (in both its methodological and its substantive parts) is proposed.

The third part of this book studies the consumption theory of Regulation. Chapter 5 examines the role and the significance of Regulation’s consumption theory and especially its understanding of the value of labour power and the process of commodification of workers’ consumption. This is an area which is little studied in most surveys of Regulation. Nevertheless, it is found to constitute one of its major pillars. Once the significance of the field has been established then a critique of both the analytical and empirical validity of Regulation’s consumption theory is offered. In Chapter 6 Regulation’s consumption theory is criticized as problematic on both analytical and empirical grounds.

The last part of the book analyses the relationship between Regulation

and the labour theory of value (LTV) and its macroeconomics. Chapter 7 examines the role of the LTV in the regulationist analysis. The LTV provides the main analytical tools for both classical and Marxist political economy. In contrast, Regulation has an ambiguous relation with it. It is employed only by a fraction of Regulation – branded in this book as the value-theoretical wing. This is expressed in the early works of Aglietta and those of Lipietz. However, as Chapter 7 shows, regulationist value-theoretical works suffer from significant problems and misapprehend the LTV. More specifically, they neglect labour time and tend directly to associate value with money. In this sense they represent a precursor of the NS (associated with Foley and Duménil) particularly regarding the concept of the *labour equivalent of money*. It is argued that this analysis flirts with circulationism and fails to grasp properly the macrodynamics of the capitalist system. Finally, their circulationism opens the floodgates for the total rejection of the LTV at subsequent stages, as in the case of the later works of Aglietta. Chapter 8 rounds up the previous discussion by analysing the macroeconomics of Regulation.

A brief conclusion summarizes the analysis of the previous chapters and rounds up the general conclusions.

NOTE

1. The term Fordism was first introduced by Gramsci (1971, chapter on 'Americanism and Fordism', pp. 279–316). It was relaunched by Palloix (1976) and applied to the theorization of the labour-process – rather than Gramsci's more culturalist interpretation. Although Palloix mentions Aglietta's (1974) thesis as a source of inspiration, it seems that his formulation precedes that of Regulation and also differs from it. Afterwards, the Regulation Approach advanced its own formulation which, together with the similar – although not identical – definition by other authors (for example, Piore and Sabel (1984), Gordon et al. (1982)) shot to fame.

Contents

| | |
|--|-----|
| <i>List of abbreviations</i> | vi |
| <i>Introduction</i> | vii |
| PART I THE REGULATION APPROACH: AN OVERVIEW | |
| 1 Regulation in context | 3 |
| 2 Influences and sources of inspiration | 19 |
| PART II THE REGULATION APPROACH: A MIDDLE-RANGE THEORY | |
| 3 Middle-range theories | 49 |
| 4 The Regulation Approach as a middle-range theory | 70 |
| PART III REGULATION'S CONSUMPTION THEORY | |
| 5 Regulation and consumption: theory and evidence | 119 |
| 6 Regulation and the mode of consumption: a critique | 135 |
| PART IV REGULATION, THE LABOUR THEORY OF VALUE AND ECONOMIC ANALYSIS | |
| 7 Regulation and value theory | 173 |
| 8 Value theory and Regulation's macroeconomics | 198 |
| Conclusions | 202 |
| <i>References</i> | 206 |
| <i>Index</i> | 217 |

PART I

The Regulation Approach: an overview

1. Regulation in context

1.1 SUMMARY PRESENTATION OF THE REGULATION APPROACH

The Regulation Approach was pioneered in France in the 1970s by several political economists (for example, Aglietta (1979), Lipietz (1984a, 1985a) and Boyer (1990)). Its founding text was Aglietta's (1979) *A Theory of Capitalist Regulation* – a very popular but also highly idiosyncratic work. The aim of Regulation was to explain the long-term dynamics of change and stability in capitalism. In order to achieve this it produced what is nowadays openly characterized as an institutionalist and historicist analysis of capitalism. It enjoyed considerable popularity until the 1990s when its influence receded, for a number of reasons analysed in subsequent chapters. However, it continues to command considerable influence in certain areas of radical political economy. Moreover, concepts coined by Regulation (for example, Fordism and post-Fordism) have acquired a life of their own and are being employed in several scientific fields (for example, regional development, consumption theory, sociology).

Regulation's initial popularity stemmed from its declared aim to provide an intermediate analysis which would operationalize abstract general theory (and particularly Marxist political economy) in concrete historical evolution. Thus, it set its eyes on the analysis of the crisis-ridden process of capitalist development. It argued that crises, far from leading to the demise of capitalism, generate structural transformations that facilitate its survival and longevity. In other words, systemic contradictions lead to grave social antagonisms and economic failures, which dictate significant reconfigurations of the systemic *modus operandi* in order to secure its continuous existence. The key to this survival is the support lent to capitalist economic relations by appropriate institutional frameworks. Underneath this assumption lies the belief that capitalism's purely economic mechanisms are unable to secure its reproduction (Jessop (2001a), p. 5). However, for Regulation, these institutional supports are not generated by a general common mechanism but are always conjectural historical products.

In order to study this crisis-cum-transformation process Regulation

constructs its fundamental conceptual twin: the 'mode of regulation' (MoR) and the 'regime of accumulation' (RoA). The RoA represents the form of distribution of surplus between capital and labour required in each period in order to coordinate production with social demand. It covers the essential economic conditions for the operation of the productive system (technology, organization of the labour-process, relations between the departments of production). The MoR designates the necessary institutional forms and social compromises for the reproduction of the RoA. The RoA is posited at the level of compulsory economic structures, whereas the MoR is less determinate, since it relies on concrete, historically specific institutional forms. More than one MoR can be implemented in a particular RoA. Which will prevail is a question open to the indeterminacy of history. However, not every MoR is suitable for every RoA.

Two types of RoA are usually considered. In *extensive accumulation* pre-existing production processes were incorporated into a capitalist framework without major changes. The traditional way of life – as expressed in patterns of consumption – was not radically recomposed. The combined development of the two departments of production was achieved with difficulty and the pace of accumulation encountered recurrent obstacles. In *intensive accumulation* production was reorganized radically on capitalist lines. A new mode of life for the working class was created by establishing a 'logic' that operates on the totality of time and space in daily life. Consequently, a *social consumption norm* was formed which no longer depended on communal life but was stratified according to the divisions of social groups within the working class. The two departments of production were integrated and, hence, the pace of accumulation became more regular.

Additionally, two MoRs are recognized. In the *competitive* MoR – which is considered more appropriate to extensive accumulation – there was a post hoc adjustment of the output of the various branches to price movements, which were highly responsive to changes in demand; wages were adjusted to price movements so that real wages were either stable or rose slowly. In the *monopolist* MoR, income distribution is socialized via a series of compromises between capital and labour (wage formation in relation to inflation and productivity). Market relations (pure pricing adjustment mechanisms) play only a minor role in adjusting social demand and production. This role is exercised mainly via a complex set of institutions, conventions and rules which constantly aim at developing effective demand at the rate of production capacities.

On the basis of the historically contingent correspondence between the RoA and the MoR, Regulation periodizes capitalism as follows:

1. The period between the seventeenth and the mid-nineteenth century is considered as the era of the establishment of capitalism and of primitive accumulation.
2. From the mid-nineteenth century to World War I extensive accumulation accompanied by competitive regulation predominated.
3. The period between the two world wars was an unstable transitional phase characterized by the emergence of intensive accumulation (mass production – Taylorism) but without mass consumption. The 1929 crisis – perceived as an underconsumptionist-cum-institutionalist crisis – marks this period.
4. After World War II, intensive accumulation is coupled with mass consumption and monopolistic regulation. This is the era of Fordism, in which working-class consumption has been commodified and provides the needed mass market for capitalist mass production.
5. Fordism enters a crisis in the 1970s and post-Fordism is proposed as its successor. Emphasis is put on the new information and communication technologies, small-scale production processes, the relaxation of standardized production tasks, the significance of the service sector, new life-styles as stimulants of consumption and so on. However, the definition and the characteristics of this new configuration are still far from clear.

What has been presented above is the traditional canon of regulationist analysis. However, this has not remained stable. In fact, Regulation is infamous for the easy transformations of its theoretical architecture. As will be shown, it began by slowly distancing itself from Marxism (in the form of Althusserianism) and later moved towards post-structuralism and post-modernism. Its very name (Regulation) came out of this gradual transformation. As Lipietz (1988a) admits, the notion of ‘regulation’ – borrowed from works in other fields, such as cybernetics – facilitated the relaxation of Althusserian structuralism. The Althusserian notion of ‘reproduction’ implied that structures dictate behaviours to agents so as to ensure their reproduction. With the notion of ‘regulation’, degrees of indeterminacy and feed-back relations were introduced. Thus, the MoR encompasses all those relations that motivate agents towards fulfilling the roles that structures attribute to them. However, neither the structures’ ability to motivate nor the agents’ conformity is given and secured. Agents can diverge in their actions from the requirements of social reproduction. These divergences are resolved by the MoR, unless they accumulate to the point of setting off a ‘major crisis’. Minor crises themselves contribute to altering the structure until such time as a major crisis breaks out. Additionally, the MoR encompasses relations that are of course

primarily economic but also institutionally organized; thus politics enters the field.

Regulation's founding text bore heavy structuralist and Marxist overtones. Subsequent regulationist works (for example, the multi-author CEPREMAP-CORDES (1977) paper) significantly modified this by discarding general laws (for example, the superimposition of the capital accumulation law on the RoA–MoR duo) and relaxing the one-to-one correspondence between the RoA and the MoR. But even these definitions of the MoR (as RoA's institutional supports) were considered too functionalist. Thus, in later versions, it acquired even greater autonomy from the concept of the RoA: the MoR may or may not secure the reproduction of the given RoA. Thus, the MoR became almost equally important and co-determined with the RoA. Thereafter, this became the canonical regulationist version. Later works (for example, Lipietz and Leborgne (1987)) relativized even further the RoA–MoR correspondence. Last, but not least, these gradual transformations of the regulationist theoretical framework were related to a move away from class analysis and towards other theories of societalization. Social classes almost disappear from its analysis and inter-class social groups and short-termism come to the fore. This change of scope is even more pronounced in some works (for example, Aglietta and Orlean (1982), Aglietta and Brender (1984)) where class analysis is openly discarded, individualism creeps in and Marxism is openly rejected.

1.2 THE IDENTITY OF REGULATION

The initial popularity of Regulation facilitated its widespread expansion but at the same time posed significant problems of coherence. Many people subscribed to it while employing wildly differentiated analytical frameworks and holding different theoretical allegiances. Thus, the identity of Regulation soon came into question. Two issues figure prominently in this. First, whether Regulation is sufficiently coherent to constitute a theoretical school at all. Second, which of the diverse currents that referred to Regulation actually belonged to it and which did not.

Consequently, many of its major proponents prefer to use the label 'Regulation Approach', recognizing the differences and the wide diversity that exist between the authors and the strands that are being grouped under this name. As De Vroey (1984a, p. 45) – an early fellow-traveller – observes, 'it would be incorrect to regard them as one homogeneous school of thought'. Noel (1987, p. 303) agrees with that:

Over the last ten years, what can be called the 'regulation approach' has become one of the most important paradigms in French political economy.

Although not yet a unified approach, it nevertheless provides a set of recurrent concepts, and more important, a common understanding of the process of capitalist development.

More importantly, Lipietz (1985a, p. xv) admitted that Regulation does not constitute a theoretical school but rather a constellation of different currents:

It should be said at once, however, that there is not one regulation school. There are a number of little streams which have either merged into larger currents or split up into even smaller trickles. The present work belongs to the current initiated by Aglietta's research on the United States and the CEPREMAP programme of investigation into the French economy . . . Yet the current in question here is itself far from homogeneous.

Even Boyer, although trying hard to prove the cohesion of Regulation, has to admit that widespread differences exist between its major representatives. Thus Boyer (1988, p. 112) concedes that, strictly speaking, Regulation is more a general problematic than a self-sufficient theory and even less a model that can be contrasted immediately to an empirical reality.

If this was the situation during the first triumphant steps of Regulation the subsequent fall from grace did not improve matters. Once its popularity receded, its internal diversity was exacerbated. Instead of a homogenization process centrifugal tendencies were set in motion which only aggravated its lack of cohesion. Thus, today the term 'Regulation Approach' is accepted as being more appropriate than 'Regulation School'.

This issue is closely related to the question of who are (and who are not) regulationists. In other words, which strands belong to the Regulation Approach? According to Lipietz (1985a, p. xv), after the mid-1980s Regulation was divided between more or less Marxist tendencies (which emphasized the primacy of the production sphere and referred to the LTV) and 'culturalist' tendencies (which focused on the problem of socialization)

Jessop – in several works demonstrating a commendable continuous interest in Regulation – offered a more extensive classification of the regulationist currents. In an early article (Jessop (1988)) he distinguished three Regulation schools:

1. A 'Parisian Regulation school', associated with the works of Aglietta and CEPREMAP.
2. A 'Grenoble school', represented by de Bernis (1977).