

THE PARISIAN REGULATION APPROACH:
CAPITALISM AS A PANOPLY OF CRISIS TENDENCIES

BARIŞ GÜVEN

BOĞAZİÇİ UNIVERSITY

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THE PARISIAN REGULATION APPROACH:
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Barış Güven

Boğaziçi University

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ABSTRACT

The Parisian Regulation Approach: Capitalism as a Panoply of Crisis Tendencies

In this study, I analyze the Parisian Regulation Approach (PRA) developed as an intellectual response to the structural crisis of capitalism in the late 1960s and early 1970s. In theoretical and relational axes, I examine its ontological, epistemological and methodological assumptions and its relationship to other regulation approaches to grasp the conception of regulation in the PRA. Regime of accumulation, mode of regulation and mode of development are the major concepts produced by the PRA to study the capitalist mode of production and its crises. I analyze them and expose the crisis explanation of the approach. I specifically emphasize the understanding of the PRA of capitalism as a malleable mode of production under the combined effect of the development of forces of production and class struggles with major implications for the formation of its crises. Overaccumulation of capital as a tendency underlay to some degree the crisis formation in the PRA, and David Harvey and Simon Clarke who engaged in the PRA at some point in their intellectual journey formulated it as a general crisis theory. I analyze these later formulations of overaccumulation of capital and develop a critique of these primarily focusing on Harvey from the perspective I distilled from the PRA. It is in this sense that the present study contributes to the critical literature on the crisis theory.

ÖZET

Paris Düzenleme Yaklaşımı:

Kriz Eğilimlerinin Bir Takımı Olarak Kapitalizm

Bu çalışmada kapitalizmin geç 1960'lar ve erken 1970'lerdeki yapısal krizine bir entellektüel karşılık olarak gelişmiş Paris Düzenleme Yaklaşımı (PDY)'nı analiz ediyorum. Teorik ve ilişkisel eksenlerde, PDY'nın düzenleme (regulation) kavramını anlamak için, yaklaşımın ontolojik, epistemolojik ve metodolojik varsayımlarını ve diğer düzenleme yaklaşımlarıyla olan ilişkisini inceliyorum. Birikim rejimi, düzenleme tarzı ve gelişme tarzı PDY'nın kapitalist üretim tarzını ve krizlerini araştırmak için ürettiği ana kavramlardandır. Bu kavramları analiz ediyor ve yaklaşımın kriz açıklamasını sergiliyorum. PDY'nın kapitalizmi, krizlerinin oluşması açısından temel sonuçları olan, üretim güçlerinin gelişmesi ve sınıf mücadelelerinin birleşik etkisi altında şekillenebilir bir üretim tarzı olarak anlamalarını özellikle vurguluyorum. Bir eğilim olarak sermayenin aşırı birikmesi belirli bir dereceye kadar PDY'da krizlerin oluşmasının altında yatmaktadır. David Harvey ve Simon Clarke kendi entellektüel yolculuklarında PDY ile ilişkiye girmiş ve sermayenin aşırı birikimini bir genel kriz teorisi olarak ifade etmişlerdir. Bu aşırı birikim teorilerini analiz ediyor ve büyük ölçüde Harvey üzerine odaklanarak bu teorilerin PDY'ndan kazandığım bir perpeksiften eleştirisini geliştiriyorum. Bu manada çalışma kriz teorisi üzerine olan eleştirel yazına katkıda bulunmaktadır.

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CHAPTER 1

INTRODUCTION

Even though there are exceptions, there is a strong relationship between the emergence and development of a social phenomenon and of the attempts to make sense of and explain it. In addition, in a class-ridden society, some events are of particular interest for some scholars such as the rising social tensions and emerging (social/economic) crises that are believed to have causes related to the division of the society on the class basis. Thus it is possible to find a noticeable increase in the number of works during and in the aftermath of such events.¹

Indeed, the crisis of the late 1960s and early 1970s is one such event. A quick search will immediately reveal the substantial increase in the number of works in Marxian political economy in the following years. Though it has various theoretical concerns going beyond the interest the crisis induced, Michel Aglietta's dissertation entitled *Accumulation et régulation du capitalisme en longue période. Exemple des Etats-Unis (1870-1970)* (*Accumulation and regulation of capitalism in the long period. The US Example (1870-1970)*) (1974) is one of such works. The discussion of the dissertation in the following two-year seminar organized by Aglietta himself inspired the works including a research project on inflation in France by a CEPREMAP team to which among others Robert Boyer and Alain Lipietz belonged, and brought the publication of the Aglietta's landmark work which was a revised version of his dissertation (Aglietta, 1979; Jessop, 1990; Lipietz, 1997).² The present

¹ For a full-fledged argument directed towards the studies on historical materialism, see (Anderson, 1976).

² CEPREMAP was the acronym for Centre d'Etudes Prospectives d'Economie Mathématique Appliquées à la Planification which was associated with the French planning apparatus.

study is on an approach developed in these years to which we will call, following Bob Jessop (1990), the Parisian Regulation Approach (henceforth PRA).

From then on, there has been a blossoming of regulationist works with the participation of many scholars to the Regulation school. This is why a delimitation of the boundaries concerning the scholars and subjects is needed to keep the present work tractable. I will limit myself to some of the (English language) works of Aglietta, Boyer and Lipietz written mostly in the 1970s and 1980s. I will also resort to a number of relevant works by Jessop as a latecomer but methodologically quite self-conscious Regulation theorist. In terms of the subjects, I will limit myself to the works focused primarily on capital accumulation and crisis.

Within such a delimited terrain, what I want to do in this work is to examine the PRA in general and its crisis analysis in particular. Then I will develop from the PRA perspective a critique of a particular crisis theory developed by David Harvey and Simon Clarke (Clarke, 1988b, 1990; Harvey, 2006). Their overaccumulation theories have some similarities with and/or emerged as result of their interaction with the PRA.

In Chapter 2, I focus on the theoretical roots of the PRA and compare it to other regulation theory currents developed in France. In order to situate the PRA effort, the ontological, epistemological and methodological assumptions of the approach are investigated and a comparison is made between PRA and other currents, the focus being on the notion of regulation.

In Chapter 3, I focus on PRA's conceptualization of capital accumulation and crisis. The PRA with the theoretical roots examined in previous chapter, produced many intermediate concepts to analyze capital accumulation, its contradictions and long-run cohesion, and crisis. Regime of accumulation, mode of regulation and mode

of development are three of these intermediate concepts utilized to understand structural crisis and preceding period of sustained accumulation. I specifically analyze the first two and focus on the modes of development of capitalism and their structural crisis devoting relatively more space to Fordism and its crisis. Here I stress PRA's understanding of capitalism as a malleable mode of production under the combined effect of the development of forces of production and class struggles with major implications for the formation of crisis. It will be shown that this understanding of capitalism underlies its conceptual apparatus and explanation of crises of capitalism. What is remarkable about this explanation is that structural crises of modes of capitalism in which the reproduction of class relations in certain ways are blocked do not form as a result of an eternal (crisis) tendency but an overdetermined outcome of particular tendencies. The formation of a particular tendency has much to do with the interplay between the development of forces of production and the configuration of class relations.

In Chapter 4, I note that the landmark work of Aglietta has a theoretical model based on uneven development of departments of production and a theory of overaccumulation of capital derives from this model (Aglietta, 1979). Then I expose two other formulations of overaccumulation of capital as a theory of *structural* crisis in (Clarke, 1988b, 1990; Harvey, 2006) and then focusing on (Harvey, 1990; Harvey & Scott, 1989) I develop a critique of these latter, focusing primarily on Harvey, from the perspective of PRA to the complex logic of crisis formation in the capitalist mode of production. I specifically criticize these later formulations of overaccumulation of capital as they reduce it to a *fundamental* (crisis) tendency even if they take into consideration both the technological dynamism and social relations of capitalism.

CHAPTER 2

PUTTING THE PARISIAN REGULATION APPROACH (PRA) IN ITS PLACE

Any work on the Parisian regulation approach should warn its readers from the very beginning that the word regulation designates something different than the one used in the English language. There are in fact two relevant different words in French that convey close meanings: *réglementation* and *régulation*. The former is the direct equivalent of the word regulation in English and it refers among others to the rules and measures created by a public or private authority/institution to control or supervise a (economic or social) body or activity. The second derives from the root *régulier* (to control) and means control. Though the former reflects ‘more correctly’ what Parisian Regulation theorists really meant by the word/concept, the clarification based on this distinction is not sufficient to understand its content precisely. Since the exact meaning of the word will be explicit in what follows, it will be enough at this point to say that it could be thought, as it is pointed out, as normalization or regularization (Jessop & Sum, 2006, p. 5).

My aim in this chapter is to situate the PRA in its context. This is necessary for our present work for at least two reasons. Since it is a particular approach to the study of the capitalist mode of production (CMP) and capitalist economies, it is useful to look at its specificities at different levels: its notions, theoretical premises, focus areas and perspectives. Moreover, as we will show later on, a better understanding of its analysis of the crises of the CMP requires such an initiative as a necessary task to do.

To situate the PRA in its context, I propose two axes that will also help us grasp the exact meaning of regulation: theoretical and relational. In the first subsection, I expose the theoretical roots of the approach by examining its

epistemological, ontological and methodological characteristics. In the second, it will be shown that the PRA approach is a current of French Marxist political economy within a broader regulation approach family in France. The relational examination of the PRA by a comparison among other approaches of its conceptual apparatus and perspectives will help us equip ourselves with a better understanding of the PRA.

2.1 Reproduction, contradiction, and regulation

A better understanding of the PRA requires the investigation of the intellectual conditions within which Regulation theorists' intellectual formation was shaped. The approach that dominated the French social sciences during the 1950s and 1960s was structuralism and it dominated so much so that even some Marxist scholars were under its influence. The initiative to reread Marx's works as a reaction to its dogmatic readings, under the effect of the dominant scientific tendency in France, led to the emergence of a special intellectual current: structural Marxism. Louis Althusser and Etienne Balibar were the leading figures of this current and their interpretation of Marx under the light of structuralism influenced many scholars, including the Regulationists.

Though the traces of structural Marxism, or Althusserianism, can be found in the works of Regulation theorists, Alain Lipietz gave an individual and retro/introspective account of their intellectual relation to Althusserianism (Lipietz, 1993). This relationship penetrated into their understanding of the social, economic, and political and affected to a certain degree their theoretical (in a broad sense; including epistemological, ontological and methodological) premises. In fact, the crucial question of *regulation of what?* —a question that has to be posed in order to grasp the regulationist research agenda—cannot be answered without the examination of their theoretical premises.

From the regulationist standpoint, Althusserianism's major contribution was the two blows to the existing Marxism which was dominated by the *vulgar reversal of Hegelian dialectic* (Lipietz, 1993, pp. 104–5). First of them pertains to the conception of *the real/whole*. Althusserians argued that the real, instead of being a continuous development of a simple unity composed around a single contradiction, is a complex and structural whole. This complex structural whole articulates the contradictory social relationships and has two aspects, one of which dominates the other. But the whole is not a collection of homogenous elements. Instead, “Everything is first of all a structure of structures, a system of relations more than a collection of elements. The ‘elements’ are themselves defined only by their place in structure” (Lipietz, 1993, p. 104). Moreover, there exists a dominant structure in everything such that this domination gives the whole its unity (p. 105). Therefore, the structure (the system of structures) as a complex whole is in dominance, i.e., dominated by a particular structure out of structures.

In line with Mao's work on contradiction, Althusser distinguished between the principal contradiction and secondary contradictions. These secondary contradictions are not irrelevant but constitute the principal contradiction's *conditions of existence*. Nevertheless, the dominant structure (the principal contradiction) gives the dominated structures (the secondary contradictions) their precise form while they preserve their autonomy and efficacy. From this perspective, the conception of overdetermination derives: the principle that the conditions of existence of any contradiction are present and reflected in it. Thus, the dominant structure is not any more the sole determinant of everything outside of it but the *determinant in last instance* (p. 105).

This new conception of the real/whole represents a radical rupture with the vulgar Hegelian conception of the whole. To be able to understand the influence of this novelty on the PRA, we turn to the second blow by the Althusserian school: a new conception of capitalist mode of production (CMP).

As it is known, Marx's initial conception of mode of production and his formulation of the transition from one mode of production to another remained underdeveloped in his writings and subjected partly for that reason to vulgar readings according to which a mode of production, specifically CMP, comprises of a base/infrastructure (economic) and a superstructure (political, juridical, and ideological) and the former determines the latter, *and* the base can be canonically separable into the forces of production which is conceived as a purely technological phenomenon and the engine of change, and the relations of production which are purely social phenomena and correspond to the productive forces. In this way, the conception of CMP and the changes in it are now technologically and economically determined.³

According to the Althusserian school, in contrast, the mode of production as a complex whole is the articulation of economic, political and ideological instances/domains and as the principle of overdetermination implies it is a complex whole in dominance and the economy dominates only in the last instance. Besides, the infrastructure or base is not anymore reduced to the mutually exclusive components under the rigid technological-social distinction; the very (development of) productive forces are themselves a social relation or, as Lipietz puts it, they "themselves are the materialization of social relations of production" (Lipietz, 1993, p. 107,127).

³ Even some critical defense of historical materialism cannot refrain itself from making this canonical distinction even though it allows the two-way determination relationship between productive forces and relations of production. See (Cohen, 2000).

However, Althusserianism as an intellectual current that shaped the intellectual formation of Regulationists had come with its inherent barriers that hinder them to conceive the economic crisis of the late 1960s and early 1970s; they found themselves incapable of explaining it. These barriers lie directly in the conception of the relationship between subject and structure, contradictions and their place, and change.

The Althusserian school postulated that the principal contradiction can be displaced, and when the contradictions *condense* in a strategic place into which dominance is brought, the upside-down of the structure is made possible (Lipietz, 1993, p. 106). As the relations were substituted by the structures, the contradictions inherent in the relations were in fact neglected and rejected (p.100). What is worse for Regulation theorists was the thesis of the Althusserian school on the relationship between subject and structure. The subject or social agent were reduced to the position of supporter (the support-agent or bearer) of the structures who occupies a place within, say, CMP and were thought that she conforms to the reproductive requirements of the structures (p. 106). Above, we stated that the conception of the whole led the Althusserian school to think that the elements of the whole can be determined only by their place within structure. As the support-agents conform to the requirements of the structures, what occurs in the CMP in which the production of things acquired the capitalist character “is the reproduction of *places* in the synchronic structure of the mode, a place from which the structure determines the *functions* in the reproduction of the mode.” (p. 122) In this way, independent of the subjects’ subjectivity, as they conform to the requirements they reproduce not only their places in the structure but also the conditions of existence that form the basis of the reproduction of structure and themselves. It seems as if the structure (society) has

a purpose to preserve its ever-going existence and reproduction, and the elements in it has to fulfill the function of reproduction (p. 128). The change in such a theoretical construction can only be caused by the “effectivity of a relation (ownership) *over* another (possession),⁴ of a new mode (the CMP) over another (the feudal mode of production) ... and of structures over their supports.” (p. 122)

The break that Regulation theorists made with the Althusserian heritage can be found in this context. Contradiction does not appear as a result of the functioning of the structure of structures: overdetermined social relations are themselves contradictory and conflictual (Jenson & Lipietz, 1987; Lipietz, 1988, 1993; Lipietz & Vale, 1988). This new thinking of social relation and its contradictory nature paved the way for Regulation school’s break with the barriers of structuralist thinking and their insertion of the subject into its *proper place* in the analysis, all of which is itself overdetermined by the historical and intellectual conditions.

What gives a social relation its social character is not just the fact that it takes between two or more people or that human beings interact with each other. The existence of the regularity and repetition of certain practices is the necessary condition for a social relation to be recognized and defined by a theorist (Lipietz, 1988). Though there is no reason to think that the very subjects who enter into the relation label the relation in lieu with a theorist, a relation becomes a relation partly through its social acknowledgement: the relation appears normal or natural (pp.15-7). For example, the realization of the necessity of finding a job to make a living perpetuates the continuity of wage-labor relation without requiring that the person looking for a job know that the very act of working for someone is the sale of her labor-power or that wage-labor is a quite recent phenomenon in the long human

⁴ Ownership and possession are the two relations that define the economic instance in E. Balibar. His excessive focus on these, when combined with the lost of autonomous subject within the structure, led them to consider the relations of exchange as superficial and secondary (p. 128).

history. But the conflictual character of a social relation derives from the simple fact that man as a social animal lives in conflict, and struggle is a part and parcel of the conflictual relations s/he enters (p.13). Within the regularity of certain practices, social relation is reproduced in and through struggle and it unifies its terms. Therefore, there is, in a contradictory relation, *a unity of unity and struggle* (Lipietz, 1997, p. 262).

Customs, learned routines and habits are the elements that connect social relation to individuals (Lipietz, 1988; Lipietz & Vale, 1988). In other words, the regularity and repetition of certain social practices realize through the acquisition of certain behavioral patterns by individuals: they are the embodiment of social relation in individuals (Lipietz, 1988, p. 17). At this point, two crucial aspects of the intermingling of social relation and individual have to be discussed.

First of all, a social relation which is inherently conflictual acquires its content within a definite distribution of power invariably with an unequal distribution of power. One of the terms of social relation or to-be social relation (dominant group) has a capacity to determine and impose the model of social relation to its own advantage, a capacity known as *hegemony*, and this is the foundation of formation of routines and habits (Lipietz, 1988, p. 17; Lipietz & Vale, 1988, p. 13).⁵

Secondly, the existence of routines and habits that make possible the emergence of particular pattern of social relations does not guarantee at all that social relations are reproduced in a static manner and in harmony. For one thing, social

⁵ The calling upon of *hegemony* here is not random at all. Antonio Gramsci, the inventor of the notion hegemony influenced Regulation theorists to a certain degree and this influence is not limited to their analysis of Fordism. In *Prison Notebooks*, Gramsci examined the likely configurations of social relations as the Fordist labor process originated in the U.S. started to penetrate into the Europe (Gramsci, 1971, pp. 279–318). Lipietz refers here not only to the dominated social relations within a community but the imposition of social relations to other communities as well as it is suggested in Gramsci's analysis of the expansion of Fordism (Americanism) to the Europe. Aglietta, in *A Theory of Capitalist Regulation*, analyses the Fordist labor process and Fordism is a term that has been used by the Regulation School, see Chapter 2. But the influence does not last here. The underdeveloped conception of State in their work is still under the effect of Gramsci's formulation of State.

relation is the socialization of a conflict. For another and crucial due to its implication on the connection between structure and subject, individual or group (social agent) is not simply locked in a relation, and as Althusserian school claimed, conforms to the requirements of the relation (structure) and dissolves in it. It is an autonomous subject with its creativity, and dissatisfaction can emerge from the conflict. This is why they can a) propose new norms implying new social relations or, b) demand a new configuration within the existing relations (Lipietz, 1988, pp. 17–8). Thus, the divergence stemming from the very subject is always present and can prevent the assurance of reproduction just thanks to existence of routines and habits. In other words, individuals and collectivities as autonomous subjects having their differences always disturb what is routinized between them and struggle to make their situation better. The identification of social relation then poses the following question: how then on earth a social relation is reproduced *at least for a time and until a crisis* given the fact that it is disturbed by struggles between its terms originating from the conflictual nature of it? (Lipietz, 1988, p. 18; Lipietz & Vale, 1988, p. 13) *Regulation of social relation* is given as an answer to this theoretical question.⁶

As it must be clear, far from the technical connotation of the words *régulation* or *réglementation*, i.e., rules/measures or control, its conception is social; what is to be regulated is not a particular market or the conditions of production of a product, it is a social relation (or the sum of them) that is to be regulated. Moreover, it is not an activity to be done by an authority (private or public); it is again social and realizes

⁶ In an interview (Jenson & Lipietz, 1987), Lipietz gives the following meaning to the term regulation: “Our approach asks instead how can there be regular reproduction, given the contradictory character of social relations? In fact, that’s exactly the meaning we give to regulation. We ask how, *despite* and *through* the contradictory character of relations, a unity of relations is reproduced. Of course, we became still more interested in this question when the world crisis started in the early 1970.”

through the struggles of individuals and social groups within a particular distribution of power.

Indeed, this conception of regulation is common to all early Regulation theorists (Aglietta, Lipietz and Boyer). Although we do not find an explicit definition of regulation in Aglietta's, *A Theory of Capitalist Regulation* (1979), we can still have an idea regarding its nature.⁷ As he formulates the law of accumulation, Aglietta stresses the fact that the production of relative surplus-value implies that the 'expanded reproduction of the wage relation' which is the central social relation in the PRA being both an exchange and production relation has to be accompanied by the 'transformation of productive forces'. But the transformation of productive forces is not a solely technical issue and has a social determination since it involves these two aspects nested in the wage relation itself:

the transformation of the labor process and its conditions, and the transformations of the conditions of existence of the wage earning class. These two aspects are not brought into harmony by any social rationality; it is rather the class struggle that here determines the actual movement of history. This movement is all the more governed by the logic of accumulation, the more the class struggle occurs in modalities that compatible with the extension of commodity exchange. The conditions for such a canalization of the class struggle involve the totality of social relations at a given time, and it is their study that forms the content of the theory of capitalist regulation. (Aglietta, 1979, pp. 66–7)

Therefore, as it is pointed out elsewhere, regulation is has a sociological dimension in Aglietta. Through this sociological dimension, regulation theory "sought to understand [the] reconciliation of a priori divergent class interests" (Dosse, 1997, p. 291).⁸ Boyer, in his critical introduction to the PRA clearly states with a homage to

⁷ Davis (1978) is a comprehensive critical review of Aglietta's book. See also (Clarke, 1988b) for a critical and (Driver, 1981) for a quite sympathetic review.

⁸ This two-volume work by Dosse on the history of structuralism put the piece on the Parisian Regulation Approach under the part *Decline* (of structuralism). It shows the various motivational sources of Aglietta including Pierre Bourdieu, Michel Foucault and Georges Dumezil, all of whom are social theorists.

Marx that the study of social relations “is a fruitful point of departure for social science research [and it] represents one of the few alternatives to methodological individualism” (Boyer, 1990, p. 11).⁹

To turn back to the problematic of reproduction, Lipietz argues that the actual reproduction of a social relation necessitates existence of definite procedures or *mechanisms of conflict resolution* (Lipietz, 1988, p. 18). The presence of norms (routines and habits) embodied in individuals may help the continuity of reproduction but the continuous disturbance of the relation by the divergences fueled by conflicts and individuals’ new demands requires the regulation of their transformation as well (Lipietz & Vale, 1988, pp. 13–14). “Social procedures and authority structures that ensure both the compatibility of norms and their joint modification constitute forms of regulation which [constitutes] together ... a *mode of regulation*” (Lipietz, 1988, p. 18).

The forms of regulation are expressed and organized in phenomenological structural or institutional forms and they may differ from the *hidden and conflictual social relations*. The norms (custom, convention, routine and habit) are the codification of the configuration of a social relation in institutional form. Lipietz and Aglietta describe their historical and class nature. Aglietta writes that these structural forms “are the historical products of the class struggle [which] produces norms and laws which form the object of a theory of social regulation” (Aglietta, 1979, p. 19,67). Similarly Lipietz notes that, “[t]hese institutionalized forms always have a history, being the outcome of struggles by individuals and classes” (Lipietz, 1988, p. 19). From this perspective, they are the expression of an *institutional compromise*

⁹ “A science of Society is a Science of Social Relations”, (Lipietz, 1988, p. 12).

between different classes and groups, relations between who are constituted under hegemony of the dominant one(s).¹⁰

2.2 Theory and history

Under this heading, we will look at the epistemological and methodological properties of the PRA. To do this, we will focus on another motivation of Aglietta in developing a theory of regulation which has much to do with his dissatisfaction with the general equilibrium analysis. In his landmark work, *A Theory of Capitalist Regulation: The US Experience* (1979), Aglietta proposes an alternative approach to study the historical evolution of the CMP. Dissatisfied with the distance between the changes in capitalism and the theoretical inability of general equilibrium framework of the orthodoxy to make sense of these changes, he lays the basis of an original approach, what we call here the PRA, as a *complete alternative* to the general equilibrium.

According to Aglietta, the CMP is a dynamic social system, and it has the determinate constitutive relationships. The dynamism of the CMP derives from the internal transformation of these constitutive relationships. Therefore, he says, “[t]o conceive of the regulation of a system transforming itself in this way is to see the changes that occur in its relationships as such that these relationships can always be organized into a system” (Aglietta, 1979, p. 12).

This understanding of the regulation of a system, i.e. the continuous transformation of the relationships of the system such that it continues to exist, leads to the inclusion of the concept of *reproduction* to the vocabulary of Aglietta who denies the automatic change in the system. The reproduction of the relationships implies the processes that allow their continuity. Nevertheless, the internal

¹⁰ Institutional compromise is a term that Lipietz borrowed from the work of R. Delorme and C. André on state/society relations and generalized in his cited work (Lipietz, 1988, p. 35).

transformation of these relationships necessarily bring about the innovation to the system suggesting that the reproduction is more than a *plastic deformation* of the constitutive relationships of the system. It is easy now, with the study of the history of the social systems, to conclude that the transformation creates *rupture, qualitative change* in addition to the reproduction. Moreover, since the relationships of the system are the contradictory unity of reproduction and rupture, the system cannot be conceived as a network of functionally interdependent relations between economic agents and their activities. This view of the system comes with the notion of *hierarchy* in the constitutive relationships that structure the system (Aglietta, 1979, p. 12).

What is problematic in the general equilibrium framework is the way in which the human action and behavior are conceptualized within a particular fashion of abstraction. The human behavior is detached from social conditions, institutions, and conflicts, and is considered as governed by the universal principle of rationality. It acquires its theoretical rigor in direct proportion to the extent to which it becomes divorced from the reality. Hence the inability to make sense of the transformations and the crises of contemporary capitalism in general equilibrium analysis (Aglietta, 1979, p. 12).

Turning to dialectical materialism, Aglietta argues for a different procedure for the construction of the theory of regulation. As Marx does, Aglietta refuses the idea that an immutable essence underlies the variability of phenomena posing the tension between the theoretical and the empirical. Instead, the tension lies in the relationship between the abstract and the concrete as the theory develops. Therefore, he says,

[a]bstraction is not a return of thought into itself (the rational subject); it is rather an exclusively experimental procedure of investigation of the concrete

(historically determinate social relations). *It follows that concepts are not introduced once and for all at a single level of abstraction* [emphasis added]. They are transformed by the characteristic interplay which constitutes the passage from *the abstract to the concrete and enables the concrete to be absorbed within theory* [emphasis added]... [which is] always in the process of development. (Aglietta, 1979, p. 15)

The dialectical confrontation of theoretical concepts with the concrete in an experimental procedure leads to the transformation of concepts providing us with *a representation of a real historical movement*. It must be noted that Aglietta refers here to a double movement in terms of the construction of theory, a movement which is important from a methodological and epistemological perspective: from abstract to concrete and from simple to complex. The real ‘outside’ us is not only concrete but also complex, that is, the real concrete has multiple determinations. This last point is very much in line with Regulation theorists’ Althusserian conception of the real/whole as a complex overdetermined dominated entity.¹¹ Therefore as the level of abstraction changes in a descending order, the form and the limits of the concepts put forward at a higher abstraction level should be modified and negated towards more appropriate concepts with the confrontation of the first with the empirical. It is also required to produce more and more concepts in addition to their transformation and then articulate them to represent in theory the manifestations of the underlying (p. 16). Combined with the ontological concerns, instead of investigating abstract economic laws, the study of capitalist regulation investigates the transformation of social relations, and the new economic and non-economic forms they take (structural forms). In this way, the study of capitalist regulation, now Aglietta adds

... will elucidate the general lesson of historical materialism: the development of forces of production under the effect of the class struggle, and the transformation of the conditions of this struggle and the forms in which it is embodied under the effect of that development. In this perspective, history is no longer an alibi designed to justify certain abstract

¹¹ See the previous section and (Aglietta, 1979, pp. 382–3).

schemas. It is an indispensable component of the experimental procedure, which must orient the tension between abstract and concrete towards the following questions: what forces transform the social system and guarantee its long-run cohesion? Are the conditions and modalities of this cohesion capable of evolution? In what conditions and by what processes are qualitative changes in the relations of production induced? Is it possible to identify stages in the development of capitalism and can such an identification interpret the structural crises of this mode of production. (Aglietta, 1979, pp. 16–7)

Bob Jessop (2001) argues that the PRA is an example of critical realism and its ontological, epistemological and methodological assumptions lies within it.¹²

Specifically, he argues that the PRA poses retroductive (working backwards from effect to cause) questions about the empirical or the manifestations to appropriate the knowledge of the underlying real causal mechanisms/powers which are, as in Marx, analyzed as tendencies and countertendencies (the so-called laws of motion of capital) (pp. 93–6). Indeed, as we will show in the next two chapters, the tendencies and countertendencies underlies Regulation theorists’ construction of theory.

However, it should be also noted that the concentration of the PRA on the ‘stages in the development of capitalism’ and their crises shapes to a great extent the spiral dialectical movement from abstract-simple to concrete-complex informed by its theoretical assumptions that we examined above. Thus, the analysis of the *crisis tendencies* of the ‘stages’ will be an important step as a part of the development of theory (Boyer, 1990, pp. 60–6; Lipietz, 1993, p. 117)¹³.

2.3 The Parisian regulation approach compared to the French regulation approaches

In fact, the PRA is one of the currents in a broader regulation approach developed in France starting with the seventies. There are two different French schools as well in what is to be called the regulationist research programme (Jessop, 1990, pp. 155–7).

¹² See (Gorski, 2013) for a short introduction to critical realism in its present sense here.

¹³ Marx, in *Capital* and *Grundrisse*, identifies a wide range of tendencies and countertendencies of the process of capital accumulation. Here, I want to emphasize that in the PRA certain tendencies and countertendencies come to the fore depending on the certain ‘stage’. See next chapter.

The Grenoble school organized around the group called GRREC led by Gerard Destanne De Bernis and the PCF-CME account inspired by Paul Boccara are two important schools in addition to the Parisian school that have to be looked at to relationally situate the latter.¹⁴

Paul Boccara was the first scholar in France who used the *word* *régulation* in, as early as, 1960s.¹⁵ Indeed, the conceptualization of regulation in his work occurred from 1971 onwards and the reason why his work can be considered as a distinct regulation approach lies in the following:

[I]t accounts for the *structural changes* occurring in structural crises of the capitalist system, relating them to its functioning (regulated *en passant* [in passing] by prices of production) and to its *long term fluctuations*, linking them to the capitalist type of progression of the productivity of total labour (sc. dead and living labour). And it does so through an analysis of the role played by the overaccumulation-devalorization of capital in regulating the rate of profit. (Jessop, 1990, pp. 167–8)

In Boccara, overaccumulation and devalorization were the key mechanism for the regulation of rate of profit. The necessity of overaccumulation derives from the blockage of the further development of productive forces by the existing relations of production and its origin lies in the tendency of the rate of profit to fall (TRPF). As capital searches for dead labor (fixed capital) to reduce its need for living labor (variable capital), it produces uneven and unstable growth laden with constant disturbances and tensions. In the short run, overaccumulation problem can be passed over by the reorganization of the labor process to decelerate the increasing organic composition of capital (OCC) or to increase surplus-value. In the long run, however, structural change induced by structural crisis is needed from which the necessity of

¹⁴ GRREC: Groupe de recherche sur la régulation d'économies capitalistes (Research group on the regulation of capitalist economies); PCF-CME: Parti communiste français - capitalisme monopoliste d'état (French communist party - state monopoly capitalism)

¹⁵ Aglietta participated to the PCF group of economists organized by Boccara and to the GRREC (Jessop, 1990, p. 167).

devalorization of a part of total capital derives such that the conditions of productivity and profitability are modified to restore the rate of profit that has decreased (Harvey, 2006, p. 199; Jessop, 1990, p. 157,168). Therefore, it is the rate of profit, in Boccara's work, that is to be regulated through overaccumulation-devalorization combination and the theoretical status of the TRPF is definite and the origin of capital's problem is this tendency.

For the Grenoblois school, the object of regulation and its nature differs from both the PRA and the Boccarian perspectives. The class structure of capitalism and the contradictory relations between individual capitals express themselves in the *two laws of profit* that are two aspects of the single principle of maximization of the rate of profit: the law of the tendency of the rate of profit to fall and the law of the tendency of the equalization of profit rates between industries. These two laws are the constellation of the tendencies and counter-tendencies (De Bernis & Vale, 1988, pp. 45–6). *The regulation of the capitalist economy* is the temporary structural stabilization of accumulation process if these two laws of profit are *in correspondence*, i.e., if they function coherently and simultaneously making possible their unity (p.48). The space of this regulation in which it realizes is called productive system which is normed by its currency, always 'pluri-national', and all of them are ridden by the same contradictory nature (pp. 49-51). The periodization of capitalism can be done on the basis of regulation:

The history of capitalism may be read as history of the ways and means whereby capitalists seek to maintain (or reestablish) the rate of profit they think is satisfactory, and to maintain or reestablish the function of competition. During certain periods, they manage to establish and maintain this "correspondence" which, however, has nothing "necessary" about it: then it is said that economy is *regulated* [emphasis in original]. Regulation is *effective* [emphasis in original] articulation of the laws of profit, effective insofar as it ensures the structural stability of the process of accumulation, one of the results of which is expanded reproduction. (De Bernis & Vale, 1988, p. 48)

Nonetheless, there are no automatic mechanisms that ensure the correspondence of two laws of profit. A satisfactory rate of profit and the functioning of competition are depended on a variety of strategic and conflictual *social procedures* including the exploitation practices, struggles and resistance of workers, the economic and institutional involvement of state to defend private property and to curb the resistance of workers. Moreover, concentration and centralization of capital, export of capital, technological differentiation among branches, state's involvement to assure concerted forecasts for heavy investments and to maintain the prices of basic goods affect the functioning of the law of the equalization of profit rates that it is crucial for structural stability of accumulation process (De Bernis, 1990, p. 29; De Bernis & Vale, 1988, pp. 45–6).

Finally it is important to note the significance of monopoly in the analysis of Grenoblois school. In addition to a consideration of concentration and centralization of capital as lever to raise the rate of profit up to a point but as a barrier to the equalization of rates of profit, the historical periodization of industrial capitalism based on *modes/stages of regulation* shows that the (non-)existence of monopoly capital plays a decisive role in it. Three modes/stages of regulation are: the competitive stage that based on small and medium-sized firms with an *extremely repressive* absolute surplus value extraction and in which reproduction of labor force realized basically outside the capitalist sphere and lasted in the third quarter of 19th century; the stage of monopoly and of imperialism on the basis of capital export to maintain the rate of profit with Taylorism from the end of 19th century to the WWI; and the stage from the end of WWII to the end of 1960s in which monopoly capital, state intervention which was decisive to maintain the rate of profit, and imperialism

with the integration of dominant countries into the markets of the dominated ones were regulated with much more integrity (De Bernis, 1990, pp. 33–34; De Bernis & Vale, 1988, p. 48).

From here, a clear comparison follows. For one thing, the object of regulation in the Grenoblois school is the capitalist economy itself compared to social relations in the PRA and the nature of regulation is different in the sense that regulation is a process of the articulation of two laws of profit in such a way that the structural stability of accumulation process is ensured (Boyer, 1990, pp. 118–9). The necessity of social procedures for the regulation purpose reduces to a weak link between the two schools.¹⁶ For another, the (theoretical) periodization of capitalist history is done by the Parisians on the basis of the conjunction of the accumulation regimes and modes of regulation but not on the existence of monopolies as it is done by the Grenoblois school. Monopoly capital and imperialism are two important phenomena in the latter due to their effect on the regulation of the capitalist economy. Though Aglietta examined the effect of monopolies in the US capitalism, imperialism was left out of analysis for the reason that its analysis should be informed by the analysis of the wage relation (Aglietta, 1979, p. 31).

¹⁶ de Bernis wrongly attributes a negative institutional character to the PRA meaning that regulation is, in the PRA, about the policies implemented by the authorities, and points out the social and structural aspects of accumulation which is captured by the term regulation (De Bernis, 1990, p. 31). On the contrary, in the PRA, the process of accumulation is founded on the specific configuration of social relations and this configuration is their regulation not by an authority but within class struggles.

CHAPTER 3

THE PARISIAN REGULATION APPROACH AT WORK: CRISES OF MODES OF DEVELOPMENT OF CAPITALISM

In Chapter 2, we analyzed the theoretical roots of the PRA and its relational properties compared to other Regulation theory approaches developed in France. This allowed us to capture in general the methodological, epistemological and ontological properties of the approach. It is now clear that the social relations such as wage relation and commodity relation that define capitalism and their configuration occupy a central place in the theoretical body of the PRA. The malleability of these social relations under which the development of productive forces materialize clearly indicates for the PRA the flexible nature of the CMP. From such a perspective, then, it will not be enough only to concentrate on the invariant elements of the CMP and to investigate its abstract laws of accumulation. As the mode of existence of the invariant elements are modified, certain patterns regarding capitalist accumulation and social relations emerge. Evolving structural properties of accumulation and social relations, and the variation of economic structures among various social formations, though it was a later concern, led Regulation theorists to produce several *intermediate concepts* at a lower level of abstraction to absorb and process the changing concrete in thought. Moreover, there is a close relationship between this conceptual procedure developed within the perspective founded on the theoretical roots and the comprehension of crises of the CMP. From a regulation theory standpoint, one can more correctly speak of crisis of a particular form of development of the CMP as a historical product of the evolution of class struggles (encompassing both intra- and inter-class struggles) and forces of production. The investigation of (crisis) tendencies of the forms of the CMP and the analysis of the

following ruptures and changes rooted in the crisis formation is an integral part of the research agenda of the PRA.

In the present chapter, I will focus on the development of the intermediate concepts of the approach and the treatment of crisis in terms of its meaning and cause(s) as theory and history are subjected to an encounter. This will enable us to see the PRA at work and the fruits of its theoretical equipment, and help the present author develop in Chapter 4 a critique of a specific theory of crisis formation (overaccumulation of capital) that had been influenced by the PRA.

3.1 Regime of accumulation and mode of regulation

Regime of accumulation and mode of regulation are two of the more important intermediate concepts of the approach. I will analyze them and try to demonstrate the connection between these and underlying focal interests of the approach rooted in Marxian political economy. The variation among the contributors of the approach of the content of these concepts complicates to some extent their exposition but at the same time allows us to make comparison in terms of compatibility and judge the integrity of the concepts and the approach. The analysis of regime of accumulation is followed by that of mode of regulation.

3.1.1 From (relative) surplus value production to regime of accumulation

The traditional compartmentalization of the capitalist economy in Marxist analysis on the basis of the commodities produced differentiates between two departments: Department I that produces means of production and Department II that produces means of consumption.¹⁷ The social relations of production under capitalism and the coercive laws of competition force capitalists to employ more constant capital (in the form of new and better technology) in the production process to produce at lower

¹⁷ There is also a third department in which the luxury goods for the consumption of the capitalist class are produced. However, this department is not present in the common theoretical model of Aglietta and Lipietz.

costs leading to the reduction of the unit values of commodities. Since the value of labor power is determined by the total sum of value of the commodities consumed by the working class to reproduce itself, the social-property relations under capitalism *can* bring about the reduction in the value of labor power under the assumption that the real wages are constant. This reduction directly translates itself into an increase in surplus value. This is called relative surplus value. That is to say, the production of relative surplus value finds its basis in the balanced exchanges of means of production and consumption between the two departments. In this way, the importance of the formation of balanced exchange between departments on the production of relative surplus value can be recognized. The accumulation of social capital is, therefore, crucially conditioned by the creation of a *tendential harmonization* of the developments of Department I and II. As Aglietta puts it,

The motive impulses in the transformation of forces of production, in effect, derive from Department I. There is therefore a tendency for the two departments to develop unevenly, as a result of the accumulation internal to Department I. The increase in the organic composition of capital inscribes this tendency into the structure of social capital. For [the reduction of values of commodities of Department II that are consumed by the working class] to happen, Department II must be able to absorb the commodities produced in Department I, and incorporate these as constant capital in those production process that lower the value of means of consumption. The development of the two departments must thus necessarily proceed in a certain harmony. *Yet the social conditions that promote the uneven development of Department I and those that make possible this harmonization are not immediately compatible, since they are spontaneously independent. They can only be made compatible tendentially, by way of a temporal development of the two departments in which this harmony is created by radical changes in the equivalence relations affecting exchanges between them. Social capital can only accumulate by such radical changes in the value relations that constitute it.* (Aglietta, 1979, pp. 56–7; emphasis added)

Aglietta immediately connects his above observation to the reproduction of the wage-earning class. The production of relative surplus value, after all, implies a great deal for the latter since what is accruing to the capitalist class through the first

materializes as more and more means of consumption are produced at lower values. What is then the relationship between all these and the reproduction of the wage-earning class? The barrier encountered by capital in the knife-edge harmony between the two departments can only be passed over ‘*if capitalist production revolutionizes the conditions of existence of the wage earning class*’ (Aglietta, 1979, p. 60). Hence the theoretical establishment of the relation between the reproduction of wage-earning class and the accumulation of social capital conditioned by the tendential harmonization of the departments.

In the direction toward the unfolding of the theory of capitalist regulation, Aglietta resorts to define an intermediate concept which is less abstract than the laws of accumulation: regime of accumulation. “A regime of accumulation is a *form of social transformation that increases relative surplus-value* under the stable constraints of the most general norms that define absolute surplus value” (Aglietta, 1979, p. 68; emphasis added).¹⁸ Aglietta then introduces two regimes of accumulation for the US economy: the predominantly extensive regime of accumulation and the predominantly intensive regime of accumulation. For the sake of concreteness, let us see how Aglietta puts them:

[The predominantly extensive regime of accumulation] is that in which *relative surplus-value is obtained by transforming the organization of labour; the traditional way of life may persist or be destroyed, but it is not radically recomposed by the logic of utilitarian functionalism* [emphasis added]. Only agriculture is affected, by the formation of the agricultural-foodstuffs complex. The division of society effected by classificatory and identificatory logic operates on working time in production in the strict sense. *Its material support is mechanization* [emphasis added]. The general movement of

¹⁸ For the purpose of clarification, let us note that the presence of both absolute and relative surplus value does not make the definition of regime of accumulation inconsistent. On the contrary, the length of the working day and the intensification of work that define absolute surplus-value are always present as relative surplus-value is produced with the productivity increases originated in technical change. In this sense, it does not pose a problem for the following introduction of two different regimes of accumulation to not to include absolute surplus-value. It inherently lies in them because it is incorporated in the general definition.

accumulation that follows from it is the build-up of industry in successive layers. *The combined development of the two departments of production is achieved only with difficulty, the pace of accumulation encountering recurrent obstacles* [emphasis added].

[The predominantly intensive regime of accumulation] creates *new mode of life for the wage-earning class* [emphasis added] by establishing a logic that operates on the totality of time and space occupied and traversed by its individuals in daily life. A social consumption norm is formed, which no longer depends in any way on communal life, but entirely on an abstract code of utilitarianism. This norm is stratified according to principles that closely correspond to the stratification of social groups within the wage-earning class. *The intensive regime of accumulation accomplishes an integration of the two departments of production that makes possible a far more regular pace of accumulation and a far more rapid increase in the rate of surplus-value* [emphasis added]. (Aglietta, 1979, pp. 71–2)

Before we discuss what Aglietta really meant, let us expose how other Regulation theorists defined the concept of regime of accumulation. An important contributor to the PRA, Alain Lipietz, employs a similar notion of regime of accumulation stressing the connection between the conditions of production and the conditions of the reproduction of wage-earning class, the modes of articulation between the capitalist mode of production and other modes of production within the national economic and social formation, the connection between these formations and the outside of them whereas types of regime of accumulation diverge. A regime of accumulation is the long-run stabilization of the social production between accumulation and consumption (Lipietz, 1987, p. 14). It can be considered as a *schema of reproduction* and describes the pattern of allocation of social labor and of distribution of products between various departments of production over a period of time (Lipietz, 1987, p. 32). Lipietz also distinguishes between two regimes of accumulation on the basis of the relationship between capital accumulation and the capitalist organization of labor process: while in (primarily) extensive regime of accumulation, capital accumulation is a lever of the expansion of the production scale, i.e. the extended reproduction of means of production, while the norms of

production are constant, in (primarily) intensive regime of accumulation, the capitalist organization is furthered by the productivity increases and the rising organic composition of capital. In addition to the changes in the reorganization in the workplace, Lipietz notes that the center of capitalist production shifts: from production of luxurious commodities to production of constant capital and to production of means of existence of the working classes (Lipietz, 1987, p. 33). Robert Boyer, another important figure in the PRA, directly relates the regime of accumulation to the historical observation that the inherent contradictions of the CMP can be contained *at least partially and for a period* suggesting a *stable configuration for the economy* (Boyer, 1987, p. 8). Several economic, social and technological regularities ensure the reproduction of the determinate relations of the CMP suppressing the imbalances inherent in it at least for a while and bringing about a long-run accumulation pattern. These regularities include a pattern of organization of production, a time horizon for accumulation decisions, a distributional pattern of income among wage, profit and taxes, a particular level and composition of effective demand and so on (Boyer, 1987, pp. 8–9).

One of the main differences between extensive and intensive regime in Aglietta is the degree to which the working-class's consumption is under the dictates of the capitalist production. A complete provision of the commodities by the market and the domination of the daily-life of the working class by the utilitarian logic is the *sui generis* feature of the intensive regime. Another dimension that demarcates the intensive from the extensive regime is the existence of the harmonious relationship between Department I and II with its implication for the rate of surplus value. More importantly, though Aglietta did not stress that aspect when he first introduced the regimes, the form that the organization of labor process takes is another constituent

that delineates one regime from the other. The progression of the organization of labor process in capitalist direction underlies the demarcation of the intensive from the extensive. It should be noted that, in Aglietta, increases in relative surplus-value is central to the regime of accumulation no matter which type it is, and this clearly indicates how technical change conditioned by production relations is important in his understanding of the CMP. Lipietz and Boyer's separation of two regimes is problematic since the extensive regime is the one that the capital accumulation is based on the absolute surplus value (given the relative surplus value as the surplus value is extracted through the intensification of work) and the horizontal expansion of production capacity with the increasing employment. As Boyer did, one can observe such *short periods* in which this was indeed the case (Boyer, 1987).

However, a long-run periodization of the capitalist accumulation on the basis of this formulation of regimes of accumulation poses serious problems since it is really hard to argue that the period before the intensive accumulation was dominated by the absolute surplus value production no matter when it lasted. The technical change has been a part and parcel of capitalism as suggested by Aglietta and it revolutionizes the value relations.¹⁹ Nonetheless, Lipietz and Boyer emphasize the industrial organization and its implications in their definitions of the regimes as Aglietta did (not necessarily in the definitions but throughout the book). Table 1 tries to summarize this discussion.

3.1.2 From structural/institutional forms to mode of regulation

The understanding of the regime of accumulation as a constellation and reproduction of certain regularities led Regulation theorists to think about the required conditions of the making and reproduction of regime of accumulation and the fundamental

¹⁹ For a critique of distinction between regimes of accumulation on the basis of absolute/relative surplus value, see (Kotz, 1990) and (Brenner & Glick, 1991).

Table 1. A comparison of regimes of accumulation among Regulation theorists

Regime of accumulation	Aglietta	Lipietz	Boyer
Primarily Extensive	- Uneven development of Dep. I - Mechanization of labor process - Incomplete commercialization of the consumption of working class - Slow increase in the rate of surplus value	- Constant norms of production and expansion of production scale as lever of accumulation - Absolute surplus value is major - Incomplete commercialization of the consumption of working class - Production of means of production at center	- Quasi-stagnating productivity and real wages - Expansion of employment as a source of growth - Absolute surplus value is major - Short time horizon for firms - Incomplete commercialization of the consumption of working class - Weak effective demand
Primarily Intensive	- Combined development of Dep. I and Dep. II - Further mechanization of labor process - Complete commercialization of the consumption of working class - A social consumption norm - Rapid increase in the rate of surplus value	- Productivity increases as OCC rises - Relative surplus value is major - Complete commercialization of the consumption of working class - Production of means of consumption at center	- Productivity speed-up and parallel real wage growth - Relative surplus value is major - Long time horizon for firms - Complete commercialization of the consumption of working class - Strong effective demand

relations, and the investigation of behaviors of the agents (capitalists, workers, and other social groups) in the CMP. For a regime of accumulation to reproduce itself at least for a while, they thought, the determinate structural/institutional forms, and the particular norms, habits, rules, and behaviors must exist to provide the rules of the game such that they govern the private agent either by coercion or persuasion to conform to the schema of reproduction of the regime of accumulation. The collective body of these institutional forms each representing one main social relation and the

behavioral patterns are called a mode of regulation (Boyer, 1987, pp. 10–15; Lipietz, 1987, p. 33). As Boyer clearly puts it, a mode of regulation allows the following three:

[reproduction of] the *basic social relationships* [emphasis in original] through a system of institutional forms historically determined, control[ing] and conduct[ing] the prevailing *accumulation [regime]* [emphasis in original], [and] bring[ing] into compatibility possibly conflicting *decentralized decisions* [emphasis in original], without the necessity for individual or even institutions to bear in mind the logic of the whole system. (Boyer, 1987, p. 15)

Monetary and credit relationships governing the monetary constraint to the accumulation; *the wage labor nexus* (i.e. wage relation) as being the institutional form that embodies the relationships between capital and labor; *the type of competition* among individual capitals over the price, cost and product, *the way of adhesion to the international regime* describing the pattern of commodity exchange, spatial distribution of production units, financing of external imbalances and the existence of technological domination, financial intermediation and political hegemony of hegemonic country; *the forms of State interventions* not just to enforce private contracts but as a producer, investor, and regulator; all these institutional configurations span the space of a mode of regulation (Boyer, 1987, pp. 10–14).

The nature of the relationship between regime of accumulation and mode of regulation in Regulationists requires some elucidation. Both Boyer's regularities based conception of regime of accumulation and Aglietta's definitions suggest that a *particular* regime of accumulation without a *particular* mode of regulation is under-defined. The empirically and theoretically existing regime of accumulation is historically constituted as the law of value is articulated with the structural/institutional forms within which class struggles are canalized. The observable social and economic regularities are not the pure results of the

functioning the law of value. The latter is underdetermined and its articulation with the mode of regulation gives rise to the first. Therefore, say, the absence and presence of a tendential harmonization of two departments of production in a regime of accumulation depends on the absence and presence of certain structural forms. The same applies to the degree of the commercialization of the consumption of the wage-earning class.²⁰

3.2 From regime of accumulation and mode of regulation to mode of development

So far we examined two regimes of accumulation. Similarly, during the 1970s, Regulation theorists distinguished between two modes of regulation. These have been identified as *competitive* and *monopolistic* mode of regulation. (Boyer, 1979) provides a historical analysis of the changing wage determination for France from the 18th century to the early 1970s and uses econometric techniques to support the historical analysis. He argues that competitive regulation was prevalent during the second half of the 19th century, and as a result, wages are sensitive to the changes to employment as the level of industrial activity changes and there was a slightly positive relationship between the wages and the cost of living. The rising social and political demands during the WWI brought the ‘recognition of the collective nature of wage negotiations’, the introduction of the legislation of some elements of social wage, and substantial increase of the collective agreement in wage determination resulting in the closer movement of money wages with the cost of living (p. 110). Besides, the following scheme emerged during the inter-war period: the productivity increases affected workers’ standard of living through the reductions in the cost of living and reflected in real wages as money wages were determined by the labor market conditions which were largely affected by the industrial production (pp. 111-

²⁰ For a criticism of the PRA on the basis of the claim that it is structural/functionalist, see (Clarke, 1988b). For a response to this criticism and a telling discussion of the nature of relationship between regime of accumulation and mode of regulation, see (Jessop, 1990).

2). More importantly, wage increases lagged quite much behind productivity increases:

Thus, despite the unprecedented increase in productivity over the period 1920 to 1930 (+5.8% a year, as opposed to around 2% a year in the 19th century), real wages increased by only slightly more than in the second of the 19th century (2.2% a year as against just under 2% a year). (p. 112)

In a later work, Boyer in his analysis of French experience, identifies the competitive regulation with the determinant role of the industry in the economy and the productivity increases in the agriculture (in the 19th century) and the emergence of *modern industrial business cycles* in which macroeconomic variables (wages, prices and production) moved procyclically (Boyer, 1987, p. 19). The output of different sectors of the economy was adjusted to prices in *a posteriori fashion*, i.e. the adjustment in quantity produced followed the price changes, and the price movements responded to the changes in demand sensitively. Wages were also adjusted to price movements leaving real wage either stable or rising slowly (Lipietz, 1987, p. 34).

On the other hand, monopolistic regulation has been characterized by quite different elements. A set of compromises between capital and labor, between firms, and between state, capital, and citizens led to the substantial socialization of income distribution such that, contrary to competitive regulation, the pure price mechanism were reduced to a negligible position in adjusting effective demand and production. While the technical change brought about the expansion of productive capacity, the set of institutions, conventions and norms guaranteed the effective demand to grow to keep pace with the technical change (Boyer, 1987, pp. 19–21). Productivity rises and the increase in the effective demand were *a priori* incorporated to the determination of wages and profits (Lipietz, 1987, p. 35). Therefore, monopolist regulation produced a new scheme: productivity increases without requiring a

downward adjustment in prices and wages as it was the case for the competitive regulation brought the increases in money wages (Boyer, 1979, p. 112). With the introduction of indexation (of wages to cost of living) procedures, the effect of the employment conditions (determined by the industrial activity) on wages weakened and they largely diverged from their key variable role that equilibrates supply of and demand for labor (pp. 114). The variation in the business cycles decreased and recessions were accompanied by inflation giving rise to the stagflationist pattern (Boyer, 1987, p. 21).

3.3 Structural crises of the modes of development of capitalism

Regulation theorists distinguish between two categories of crisis. Cyclical crises (business cycles/minor crises) are a *normal element* and a *usual feature* of the *prevailing mode of regulation* and they re-equilibrate the system by sanctioning the failures of individual behaviors and expectations to adjust to the reproduction capacity of the regime of accumulation. As the institutional forms and industrial structures change slowly, this type of crises leads only to the *slight drift* in the mode of regulation. The economic policy rules do not change as the very working of the mode of regulation eliminates the minor imbalances (Boyer, 1987, p. 16; Lipietz, 1987, p. 34).

Cyclical crises are, therefore, “an integral element of the regulation of stable mode of development” (Boyer, 1990, p. 50). Here it is quite apparent through the category of cyclical crisis that regulation refers in its current sense to the holistic controlling of the working of the regime of accumulation enabling the stability of the mode of development. The imbalances and tensions that arise during the expansion phase of the accumulation cycle are eliminated as the cyclical crisis performs its function. This practically means the restoration of the conditions and patterns that

have made the stability of the mode of development a fact and includes the restoration of the labor discipline and the distribution of income, of financial health as realization problems are alleviated and eliminated, the removal of disproportionalities between sectors and between the capacity usages and the markets as some producers make adjustments in their production and investment decisions and so on. As these all adjustments realize, the rate of profit is restored and the crisis phase paves the way of the expansion phase of the next cycle. Since this process takes place within the existing mode of regulation, the latter conditions the former's both scale and form (Boyer, 1990, pp. 50–1).

Since the PRA describes itself as the study of the structural change in the CMP, the other category of crisis - structural crisis or major/great crisis - plays a very important role in the analysis and a further refinement of this type of crisis tells much about the idiosyncrasy of the approach. During a structural crisis, the system faces a blockage in reproducing itself in the long run on the institutional and technological basis that it used to have. Structural crisis is the expression of the incompatibility between the mode of regulation and the regime of accumulation *and/or* it indicates the limits of both of them. As Lipietz puts it, such an incompatibility arise "... either because the emergence of a new regime is being held back by outdated forms of regulation ... or because the potential of the regime of accumulation has been exhausted, giving the prevailing mode of regulation..." (Lipietz, 1987, p. 34).²¹ Let us remember that social relations are the focal interest on which the approach is built and they shape and control accumulation producing certain regularities. The system of regulation (or the mode of regulation) can be the root of the unfavorable tendencies and destabilizes the regime of accumulation

²¹ This sort of incompatibility echoes the contradiction between social relations of production and forces of production in historical materialist thesis bringing the transition to another mode of production, as it is noted in (Kotz, 1990) and (Brenner & Glick, 1991).

(Boyer, 1990, p. 52). *In such a case, crisis is the crisis of the system of regulation.* It is important to understand that this does not represent only the emergence of unfavorable conditions in the mode of regulation and its repercussions in the regulatory system. The effect is realized and experienced through the interaction with the regime of accumulation. The innovation in the mode of regulation and its resultant disturbances, ‘sociopolitical struggles’, and the ‘logical development of the established system of regulation’ are the three sources of the incompatibility between the mode of regulation and the regime of accumulation (Boyer, 1990, p. 52). The inadequacy of any element of a mode of regulation can also trigger the crisis of the system of regulation (p. 53).

(Boyer, 1990) goes a bit further and defines the other type of the structural crisis: crisis of the mode of development. What distinguishes this type of crisis from the previous ones is two-fold: either crisis of system of regulation becomes so serious that a crisis of the mode of development is provoked or the center of gravity of the tensions moves to the regime of accumulation such that its contradictions undermine the mode of regulation (p. 56). What is common to these is the fact that they threaten and block the long-run reproduction of the mode of development which is the meaning of this type of structural crisis and represents a higher stage in crisis compared to previous ones. It would be helpful to note three criteria suggested by Boyer to capture the true type of crisis as it is difficult to recognize for both the agents and analysts who experience it in the real time:

The continuation of previous patterns *does not allow the automatic reestablishment of the rate of profit* [emphasis in original], and thus an endogenous renewal of accumulation; [m]ore fundamentally, *the dynamics of accumulation undermine and destroy the social forms; the appearance of a strict economic and technological determinism ceases to prevail* [emphasis in original]. (p. 57)

It is this conjecture that a structural crisis necessitates the agents in the economy; leading firms, unions, and government, to make (social and political) strategic choices paving the way for a new mode of development as a new combination of particular regime of accumulation and mode of regulation (Boyer, 1987, p. 17). Hence the structural change as the restructuring of the economy and society.

A crucial methodological step in the operationalization of the approach that attains a great significance in the context of crisis is the theoretical modeling of the regime of accumulation. The central argument that underlies such a theoretical act is that each regime of accumulation has its own inherent tendencies (Boyer, 1990, p. 65). Though Boyer fails to stress, this argument can be more correctly put forward in the following way: each mode of development has its own inherent (crisis) tendencies and countertendencies. Two important interrelated aspects of this argument must be stressed. One of the common premises of Regulation theorists is their rejection of the supposed permanent tendencies of the CMP. On the contrary, it is subjected to structural changes that conditions and are conditioned by various tendencies. Second, the canalization of class struggles within certain structural forms constitutes modes regulation. As the first changes so the latter. Since regime of accumulation is a theoretical entity that cannot mean anything by itself and it is shaped and conducted by mode of regulation, it is the mode of development that is of the tendencies and countertendencies if there are any. Hence, as class relations are configured in various modalities and the forces of production develops under them, capitalism is reproduced in various modes of development. The (structural) crisis that haunts the CMP is then not manifestations of some permanent tendency/tendencies, but the particular ones that are constituted by the articulation of regime of accumulation and mode of regulation.

To further elaborate on structural crisis and change in the CMP, we now, in comply with how Regulationists exhibit their results, turn to the historical process in the CMP to grasp its different *modes of development*. Three different modes of development, each being a unity/articulation of a particular regime of accumulation and mode of regulation, have been identified as the stages of the CMP in advanced capitalist countries. We will now consider them with a focus on their inherent contradictions and structural crisis.

3.3.1 Mode of development one: extensive accumulation and competitive regulation

Under this regime of accumulation, firms applied existing scientific and technological knowledge in production process without further improvement. While the accumulation decisions of firms were generally shortsighted, the complete capitalization of the consumption of the wage-earning class was not the case yet. This configuration of the regime with the accompanying competitive regulation manifested itself in quasi-stagnate average productivity and real wages, and the lengthening of the working hours or the increase in employment were the only sources of the growth from 1895 to 1920 in France (Boyer, 1987, pp. 21–3)²².

3.3.2 Mode of development two: intensive accumulation and competitive regulation

After the World War I, a new mode of work organization became widespread in the USA and to a less extent in Europe. The work was fragmented into the definite tasks by a group of engineers and technicians under the principles of the ‘Scientific Management’ and the workers then were assigned to these tasks. The skills of the workers were expropriated and systematized by this process to increase the intensity

²² Note here that the definitions of extensive regime of accumulation in Boyer and Lipietz converge such that both ascribe the growth (value production) to the intensification and/or horizontal expansion of production scale but diverges from Aglietta’s. Note also that all Regulation theorists considered in this work have a consensus on the notion of regime of accumulation in that it both captures the conditions of production and the conditions of reproduction of the working class.

of work and to compress the wasted time (so-called Taylorism). This dramatic transformation in the industrial organization was later followed by a dramatic change in the technical system. Electrical power and new mechanical devices (especially the assembly line) became generalized and dictated the working methods to the de-skilled workers. That was the Fordism. The new commodities such as cars and home appliances emerged. The new configuration of industrial organization and technical system brought about rapid rises in the labor productivity in addition to the increase in the per-capita volume of fixed capital due to the mechanization in the 1920s (Aglietta, 1979, p. 158; Boyer, 1987, pp. 25–6; Lipietz, 1987, p. 35).

However, as the accumulation regime started to acquire its intensive character through the emergence of a new organization of the labor process, the mode of regulation continued to be the one that conducted the extensive accumulation. Although some features of collective bargaining emerged, the changes in employment determined nominal wages to a great extent and, more importantly, the real wage growth was very small in the 1920s. Since the large part of the society consisted now of the wage earners, given the slow growth in real wages, the demand deriving from the small and medium bourgeoisie, peasants, or foreign countries did not contribute that much to alleviate the effective demand problem in the face of the investment hikes in the 1920s (Boyer, 1987, p. 27). Aglietta's analysis of the ten years preceding the Great Depression that broke out in the USA has many similarities to Boyer's. Aglietta notes on the one hand the transformation of the labor process in the production of commodities in Department II with the introduction of the assembly line and integrated machine systems (i.e., mass production methods) and the concomitant deterioration of the income distribution accompanied by the 'substantial saving on living labor' as a result of the technical transformation

worsened by the crushing of the worker's movement on the other. In such incompatibility, the source of effective demand for the Department II was the 'expenditure of a portion of the surplus value as individual income' by unproductive labor. The result was the enlargement of the disproportion between departments of production as the expansion of markets for commodities of Department II (especially housing and consumer durables) was limited by the transformation of labor process and the related deterioration of the income distribution (Aglietta, 1979, pp. 93–4). "Between 1923 and 1929 the output of producers goods increased by 50%, while industrial production as a whole increased only by 25%." (p. 94) The divergence between productivity and real wage, and consumer demand and investment manifested itself as the overproduction (overaccumulation²³) crisis in the 1930s (Boyer, 1987, p. 27; Lipietz, 1987, p. 36).²⁴ It must be underscored that the overproduction (of capital) in Regulationists does not refer to the glut of means of consumption on the outlets of Department II and hence underconsumption by the masses as it has been usually meant by the concept of underconsumption but to the overaccumulation of capital in the forms of means of production in Department I as a

²³ The term *overaccumulation* has been used in (Aglietta, 1979) relatively extensively, and (Boyer, 1987) follows Aglietta and do not use the term underconsumption to name the crisis. In fact, there is an underlying theory of overaccumulation/devaluation in Aglietta's work that occupies a central place being connected both to the uneven development of Department I, and inflation in the late 1960s and 1970s. See Chapter 4 for an analysis of overaccumulation of capital in Aglietta's work and some later Marxian works such as (Clarke, 1988b), (Clarke, 1990), and (Harvey, 2006b).

²⁴ (Boyer, 1987) has a technical change focus in the exposition of the results of the PRA. According to Boyer, there is a *hidden dialectic* between the technological system and the wage labor relations. The presence of such a relationship in Boyer's understanding led him with the analysis of the mode of development that incorporates intensive accumulation regime and competitive regulation to conclude that "*the effects of any new technological system cannot be assessed independently of the existing or emerging mode of regulation*" [emphasis added] (p. 27). Note also that intensive regime of accumulation lacked the mass consumption, another intermediate concept, due to presence of competitive regulation. Remember that the concept regime of accumulation refers to the conditions of the wage-earning class in addition to the particular organization of labor process. The exact theoretical/empirical content of regime of accumulation is to some extent determined by the exact empirical content of mode of regulation. This implies that a clear ontological separation of these two key notions is not possible in the PRA.

result of the uneven tendential development of two departments due to the reasons pointed out above (cf. Boyer, 1990, p. 65).

3.3.3 Mode of development three: intensive accumulation and monopolistic regulation (Fordism proper)

After the Second World War, the technological and organizational system, Fordism, improved in capitalist direction and extended into new sectors. The main social innovation was, however, the complete reconfiguration of the wage labor relations – the wage labor nexus. On the one hand, with a variation among advanced countries in the implementation, binding collective bargaining procedure became generalized covering all employers in a given branch or region. The social insurance system financed by compulsory contributions was established and it guaranteed all wage earners a permanent income. Moreover, the minimum wage was legislated by the states and it increased periodically (Lipietz, 1987, p. 37). On the other hand, Fordism as a form of technico-organizational system was accepted by workers and unions while the managers agreed to share productivity increases with the workers in the form of wage increases allowing them to reap the benefits of economic progress. Hence a new social compromise between capital and labor. The existence of powerful effective demand induced new investments which created new outlets for Department I. A *virtuous circle* emerged bringing about stability and high growth as the harmonious development of Departments realized itself (Boyer, 1987, p. 29).

Moreover, the other institutional forms that constituted the new mode of regulation, monopolistic regulation, emerged. The inter-capitalist relations were stabilized under the oligopolistic competition as a result of the centralization of financial assets and concentration of markets, replacing price cuts as a way of competition to increase their market share with the advertisement and product

differentiation. Prices included a mark-up addition to the average cost (Boyer, 1987, p. 12). Monetary and credit relationships took a new form. The credit created by domestic private banks for both firms and households became a key determinant of the money supply.²⁵ In addition to its key role in the formation of the social wage, State's interventions to the economy were essentially modified under the dictates of Keynesian economics. Monetary and fiscal policies were two main policy tools to stimulate or slow down the economy in order to keep inflation under control and achieve quasi-full employment level (Boyer, 1987, pp. 11, 30; Lipietz, 1985, pp. 37–38).

The last but not least element of the new mode of regulation that regulates Fordist regime was the inclusion of the hegemony of the USA to world politics. In fact, as Lipietz puts it, the USA, after emerged victorious from the WWII,

... forced its *model of development* [emphasis added] on the rest of the world, first culturally, then financially with the Marshall and MacArthur Plans, and finally institutionally with the Bretton Woods agreements and the establishment of GATT, the IMF and the OECD. (Lipietz, 1985, p. 40)

It guaranteed an international environment in which the joint economic growth of the OECD countries was possible, until some point at least, strong competition being only a potentiality (Boyer, 1987, pp. 29–30).

Organic Crisis of Fordism

The compatibility between the intensive accumulation and the monopolistic regulation translated itself into the unprecedented results for the period 1945-73. High and stable economic growth followed the co-evolution of productivity and real wage (so-called Golden Age). Lipietz describes the Golden Age in its two aspects:

²⁵ Lipietz provides value-theoretical analysis of the credit system after WWII in (Lipietz, 1985).

Overall technical composition (a rough equivalent to per-capita fixed capital) and productivity in Department 1 rise at the same rate. This ‘counteracting influence’ of the rising technical composition of capital inhibits the tendency of [OCC] to rise ... [and] consumption by wage-earners and productivity in Department 2 rise at the same rate. Whilst this certainly limits the increase in the rate of exploitation, which would otherwise ‘counteract’ the falling rate of profit, it also inhibits the tendency towards a crisis of overproduction and under-consumption. Given that the [OCC] does not vary, the general rate of profit remains stable, and accumulation can therefore continue at a steady rate. (Lipietz, 1987, pp. 36–7)

Starting from the mid-1960s, however, advanced capitalist countries experienced a general downturn in accumulation expressed in a slowdown in the output growth and a general rise in unemployment. The crisis was the *organic crisis* of Fordism as a *social, economic and technical regime* in the sense that it exhausted and could not reproduce itself reaching its limits.²⁶ The main diagnosis of Regulation theorists regarding the crisis of Fordism is the general downturn in the rate of productivity that began in the late 1960s. Moreover, the very working of the mode of regulation as it governed the regime’s reproduction led to further deterioration in the conditions of reproduction exacerbating the problems emerged due to the productivity slowdown.

Regulation theorists ascribe an important role to the class struggle in their account of the crisis of Fordism. One of the reasons that explain the productivity slowdown is the resistance of the working class within the labor process against the Taylorist and Fordist methods which appeared in the form of rising turnover of workers, the increase in the number of accidents on the assembly line and in the proportion of defective products and resultant increase in the duration of quality control, absenteeism and shirking about the work intensity, and micro-conflictuality

²⁶ The phrase *organic crisis* was used by Aglietta and it reflects the idea of exhaustion or limits of mode of development.

(Aglietta, 1979, pp. 121–2,162; Boyer, 1987, p. 31; Lipietz, 1986, p. 21). These have much to do with the Fordist principles of the capitalist management of labor process:

The idea that productivity depends on a uniform pace of operation throughout the working day is a product of the capitalists' need to reinforce control over the labor-power at their disposal. In no way does it drive from an observation of the ideal psycho-physical conditions for human activity. ... Subjection to a uniform but ever increasing pace of work, combined with the curtailment of resting time, immensely increases fatigue and creates new forms of nervous exhaustion from which it is impossible to recover from one day to next. (Aglietta, 1979, p. 120)

In addition to the *class account*, they provided a *structural account* of the slowdown in productivity as well. The growing production scale to reap the benefits from the increasing returns to scale faced increasing difficulties to keep the balance between the production based on the assembly line and the pace of demand due to the change in (product) models and short-run shocks. In addition, the deepening of the same organizational method failed, after some point, to produce substantial productivity rises (Boyer, 1987, pp. 30–1)²⁷.

The organic crisis did not derive from the only one aspect of regime of accumulation or mode of regulation. The interplay between them modifies the inherent contradictory tendencies in the reproduction of the CMP. This is quite apparent in Boyer's analysis. The oligopolistic competition within national economies gave rise to the mark-up pricing, and the joint economic growth on international arena was possible as long as the weak international competition posed no serious problem on the domestic relationship between mark-up pricing and wage increases. The collective bargaining procedure with the provision of social wage by

²⁷ The absence of strong pattern of productivity slowdown in *all* sectors and the presence of the reverse patterns in some cast doubt to some degree on the social and technical limits of Fordist labor organization. To support the argument that the social limits of the Fordist labor organization was reached, (Glyn, Hughes, Lipietz, & Singh, 1990) points out the rejection of this *system of production* by the employers themselves on the basis of the "fundamental difficulties in obtaining the necessary degree of labor commitment" as its basis was the execution of the control on the labor process excluding labor involvement which was an integral part of the 'effective functioning' of the machine system (pp. 88-92).

State led to the rigidity in the real wage and this was the main dynamic that fed the demand. Therefore, capitalism in Fordist era took the advantage of the demand aspect of the contradictory wage relation.²⁸ However, as national economies became price-taker especially after mid-1960s with the rise of Japan and Europe who caught up the US in competitiveness and the resistance of the working class translated itself into wage rises, the rate of profit squeezed. As a result of this, investment slackened leading to the low capacity utilization rate, further slowdown in productivity as the technical progress slowed down (Boyer, 1987, pp. 31–2).

Lipietz diverges from Boyer in his strong emphasis on the slowdown in productivity. As we noted above, Lipietz's account of the Golden Age relied on the two dimensions of profitability: the organic composition of capital (OCC) and the rate of exploitation. The analysis of the evolution of the real wage and productivity led Lipietz to conclude that the crisis of Fordism, 1974 as being the opening year of it, could hardly be attributed to a world-wide profit-squeeze in its usual sense which also Boyer used. The rate of productivity growth decreased substantially after 1966 for US, after 1970 for Great Britain, after 1973 for France and Japan as the real wage growth followed an almost stable pattern. Hence he argues for *productivity-pull profit squeeze* as a result of the *class struggle within the labor process* instead of *wage-push profit squeeze* due to the class struggle within distribution (Lipietz, 1986, pp. 21–2).²⁹

²⁸ Boyer stresses the contradictory nature of the wage relation by noting two aspects of it: demand and cost aspects of the wage. In Aglietta, wage relation refers to both sale/purchase of labor power and hence exchange relation, and execution of labor power in labor process, labor, and hence production relation.

²⁹ See (Glyn et al., 1990, pp. 76–83) for a detailed and multi-dimensional analysis of the profit squeeze argument for the six biggest advanced capitalist countries where the tightening of labor markets, the rises in the input prices and the slowdown in the productivity and the intensified international competition were considered as the major determinants of the squeeze.

The other variable that determines the rate of profit, the OCC, showed a clear deviation after 1970 threatening the accumulation scheme. As Lipietz does, one can use the ratio of capital to output (K/Q), which can be written as the ratio of capital to labor (K/L), i.e. the technical composition of capital, to output to labor (Q/L), i.e. labor productivity, to measure the OCC. He argues that the technical composition of capital increased throughout the Fordist era as the productivity slowed down due to the limits of Fordist mode of development. As he puts it,

...[Taylorist/Fordist] form of work organization means that the majority of producers have no control over their own work and that the activities of engineers and technicians become the only source of productivity. The only way in which they can increase overall productivity is to invent ever more complex machines. We can thus see why the downturn in productivity goes hand in hand with a rising coefficient of per capita fixed capital. (Lipietz, 1987, p. 44)

Therefore, the counteracting influence of rising technical composition of capital in the form of productivity rises was blocked bringing the sharp rise in the OCC after 1970 in every advanced capitalist country (see Table 5 in (Lipietz, 1986, p. 25)). Accompanied by the downward pressure on the rate of exploitation, the result was the decline in profitability.

CHAPTER 4

THEORIES OF OVERACCUMULATION AND A CRITIQUE

Having exposed the intellectual roots of the PRA (Parisian Regulation Approach), and its crisis analysis in a schematic way, now we turn to a comparative analysis of several overaccumulation theories developed during the 1970s and 1980s. In chapter I, as we analyze the PRA in a relational axis, we have already noted that the PCF-CME account had an overaccumulation theory though not as an underlying crisis theory but to interpret the crisis situation. Michel Aglietta, however, developed his own overaccumulation theory informed by the theoretical model that underlined *A Theory of Capitalist Regulation* (1979). A few years later, David Harvey, in his magisterial work, *The Limits to Capital* (1982), formulated the overaccumulation of capital as a *first-cut* crisis theory. In his *The Condition of Postmodernity* (1990), Harvey utilized the PRA to interpret the shift occurred after 1970s in the advanced capitalism adding his own contribution to the approach. However, he did not subscribe to the Regulationist crisis analysis and he provided an explanation to the crisis of the late 1960s and early 1970s relying on the overaccumulation of capital - an analysis he already began to develop in the earlier *The Limits to Capital*. Yet, his ideas on the crisis in the capitalist mode of production have *changed* in his later works (Harvey, 2010a, 2010b). Simon Clarke was another scholar who engaged in the Regulation approach and came up with a theory of overaccumulation of capital (Clarke, 1988a, 1988b, 1990).

The work of the PRA is, in fact, a nodal point that connects these scholars in itself and for the purpose of this chapter.³⁰ As far as I am aware, overaccumulation

³⁰ Needless to note, there are a number of other criticisms of the PRA approach. For instance, Davis (1978) points out the absence in (Aglietta, 1979) of the consideration of the effects of state spending and production (primarily military) on capital accumulation, of multinational corporations and international centralization of capital. Brenner and Glick (1991) criticize the approach for the

of capital as a general crisis theory has been limited to the works of these scholars. What is common to Clarke and Harvey's formulation is that overaccumulation of capital acquires a fundamental character in the following sense: it reflects the 'objective' conditions and fundamental contradictions of capitalism and is reduced to a fundamental tendency that brings about the necessity of 'structural' crisis. Moreover, the concomitant consideration of development of forces of production and social relation of capitalism does not prevent these scholars from assigning to overaccumulation an essential quality. We saw in Chapter 3 that the PRA's same consideration produced quite a different perspective on capitalism and its crises: modes of development of capitalism have their specific tendencies formed and crises spring from the blockage of reproduction of modes of development due to these tendencies not a fundamental and eternal one. Therefore it would be a productive and promising activity to compare Clarke and Harvey's crisis theories to that of the PRA. Through this comparison, I will be able to highlight what is unique to the PRA approach to crisis tendencies of capitalist mode of production. Both authors, while criticizing the PRA for failing to provide a fundamental mechanism as the main driver towards crisis, fail to acknowledge perhaps most important contribution of the PRA, namely its conceptualization of capitalism as a panoply of crisis tendencies. On this basis, the present chapter will accomplish the following: first I will expose the theories of overaccumulation of capital by these scholars and compare them. Second, particularly through the works of Harvey, I will develop a critique of theory

divergence between 'historical facts' about capitalism and the approach's conceptualization and findings. They particularly stress the difficulty of the periodization of capitalism on the basis of a distinction between absolute and relative surplus-value production. Shaikh and Tonak (1994) criticize Aglietta's way of measurement of the rate of surplus value and his source of data in his book. Brenner (2006) criticizes the argument in the PRA of slowdown in labor productivity underlying the inherent technical change and social relations in capitalism. In addition, one can criticize the approach from feminist perspectives given particularly its reproduction emphasis. I have chosen to engage with the overaccumulationist critique because it provides a context to highlight what distinguishes the PRA from other, rival conceptualizations of capitalism and its crisis tendencies.

overaccumulation of capital on the basis of the understanding of the PRA of the CMP.

4.1 Overaccumulation of capital à la Aglietta

The pioneering work of Aglietta that triggered a specific approach to the CMP and its laws has an underlying theoretical model as it has been the case for similar path-breaking works (Aglietta, 1979b). This model tries to put together the different aspects of the process of accumulation. The book offers an investigation of the laws of accumulation and the laws of competition among individual capitals. In addition, the realization of value created also occupies a central place in the analysis of the process of accumulation developed in the book. The model incorporates the development of productive forces, the transformation of the conditions of existence of the working-class, and the production of (relative) surplus-value and its realization so as to determine the conditions of the materialization of a metastable accumulation rhythm.

A classic conceptualization of a capitalist economy draws on the categorization of processes of production on the basis of what is produced: the processes of production in which the means of production are created forms Department I and the others in which the means of consumption or subsistence are created forms Department II. This distinction is of particular importance for what it implies for labor productivity and production of relative surplus-value. What is crucial here is the existence of a positive relationship between the two: as labor productivity increases with the utilization of productive forces which are subject to a perpetual development, all commodities can be produced with the smaller socially necessary abstract labor time embodied in them. Therefore as the socially necessary labor time needed to produce the means of consumption and to reproduce the working-class decreases, the

remaining time of a given working day accrues to the capitalist class as profit through the transformations of value from abstract labor to money. Hence relative surplus-value increases as labor productivity raises with the continuous mutation of productive forces. However, the process of accumulation is full of contradictions and encounters with several difficulties, and there is no natural requirement for this to happen in a smooth way.

Aglietta postulates that there is a tendency in the CMP for the two departments to develop unevenly. Department I is the social location in homogenous value space from where the transformations in the forces of production are derived and the accumulation for accumulation's sake leads to uneven development of this department (p.56). However, the production of more relative surplus value can be possible if the conditions of production of means of consumption in Department II are changed as the constant capital of the means of production produced in Department I absorbed in it. Thus, it is possible to create a certain tendential harmony between two departments with the result of regular accumulation rhythm (p.57). With such a model in his mind, Aglietta reads the history of the US capitalism and its crises.

There arise two situations as a result of the incorporation of the means of production as constant capital. If the development of productive forces is restricted to Department I and cannot diffuse into Department II, then the organic composition of social capital (c/v) increases as the rate of surplus-value (s/v) remains the same. The absence of the density of exchange relations between two departments limits the market for means of production coming out of Department I. As a result, the whole potential of a greater labor productivity to further reduce the value of mass of constant capital in social capital cannot be reaped. The technical change ends up with

a lower rate of profit. In other words, as Aglietta puts it, “[t]he uneven development of the department producing means of production exercises a depressing influence on the rate of return to capital, despite the technical progress it engenders” (p.60).

This is a version of the well-known tendency of the rate of profit to fall. In Aglietta’s framework this is framed as a special case that can exert its influence only under specific conditions.

In opposition to this gloomy case, there is a more positive way to take for the process of accumulation. When the development of productive forces and potential higher labor productivity diffuse into Department II, the latter also develops. As a result, not only the increase in the organic composition of capital will be limited thanks to the absorption of new commodities in developing Department II but also the rate of surplus-value will rise through the effectuation of higher labor productivity on the commodities produced in Department II (through the mechanism described above). Depending on the actual realization of these effects, the rate of return to capital may remain stable or increase. Therefore, the development of Department II counteracts to the uneven development of Department I and the rising density of exchange relations between two departments makes possible a tendential harmonization of them giving rise to the making of a regular accumulation rhythm. The barrier encountered during the course of accumulation by uneven development can only be passed over, Aglietta continues, “if *the capitalist production revolutionizes the conditions of existence of the wage earning class*,” an outcome implied by the development of Department II (pp.60-1).

In addition to the co-development of Department II, the devalorization of capital (fixed capital) functions as a countertendency to the unevenness inherent in the CMP. However, its modality changes according to the regime of accumulation

and realized *through the metamorphoses of value and in practice in money* (p.104).

In a predominantly extensive regime of accumulation in which the capitalist production has not been penetrated fully into the mode of life of the working-class yet, devalorization of capital takes the form of recurrent phases of massive formation and deep depression of gross fixed capital (p.104, see particularly Diagram 6 at page 105). On the contrary, in a predominantly intensive regime of accumulation in which the aforementioned penetration materialized and the tendential harmonization of two departments realized, the following becomes the form of devalorization of capital:

... a permanent process, structurally incorporated in the rhythm of capital formation. ... The contrast [with the previous regime] is the expression of decisive changes in the regulation of capitalism which have been brought about by the universalization of the wage relation. The fundamental fact is that the qualitative transformation of the forces of production has become a permanent process, instead of being chiefly condensed into one specific phase of accumulation. ... Obsolescence becomes generalized and permanent. Intimately linked to capital formation, devalorization no longer expresses itself chiefly as brutal interruption of the course of fixed capital depreciation. It forms part of the metamorphoses of value, and is integrated into the financial provisions for replacing fixed capital. ... It is incorporated a priori into cost prices. As a result, *an intensification in the pace of obsolescence is translated into a growth in the share of depreciation allowances in overall cash flow* [emphasis in original], and correlatively into a relative decline in net profit. (pp.105-8)

What emerges as a focal point from the above analysis is that the regular rhythm of accumulation must respect to a ratio between the two departments. This ratio refers to the allocation of social labor created between the two departments and it is called the *macrostructure of production* (p.282). This allocation determines the modality and amount of relative surplus-value. The formation of a general rate of profit is conditioned by the realization of total exchange-value, the macrostructure of production, the determinants of the formation and the distribution of total income. The condition for the formation of a general rate of profit is the compatibility between the macrostructure of production and the distribution of total income such

that the value created according to the allocation of social labor is realized and the tendency to uneven development is neutralized (pp.282-4, 355). Therefore, the unevenness gets its exact meaning right here when the compatibility between the macrostructure of production and the division of total income is transgressed. It is expressed in the transgression of the constraint of the full realization of total exchange value and has nothing to do with the equal growth rates of the two departments (p.285).

Since the formation of a general rate of profit is not an automatic process and conditioned by the aforementioned compatibility, this poses a practical and theoretical problem and its solution lies in the operationalization of the concept of overaccumulation (pp.355-6). “There is an over-accumulation of capital when the constraint of the full realization of the value newly created by society can no longer be effected by the way of organic exchanges between the two departments of production.” (p.356) Therefore it refers to no further neutralization of the uneven development of two departments which stems from the law of accumulation and the *unity of production and circulation* is ruptured. Aglietta argues that the constraint of full realization should be considered as metastable equilibrium which is disturbed by this unevenness. At this context, the law of the tendency for the rate of profit to fall is given the following interpretation:

It asserts that a phase of apparently regular accumulation cannot contain self-correcting mechanisms that can perpetuate it definitely. ... The law of the tendential fall in the rate of profit is thus very far from indicating the peaceful evolution, upwards and downwards, of a rate of profit whose formation is unproblematic and whose purely quantitative movement governs displacements of an equilibrium. (p.356)

Hence, as the law of TRPF is deprived of its usual content, it is given an interpretation on the basis of the metastable equilibrium sustained by the compatibility between the macrostructure of production and the distribution of total

income. This equilibrium is ruptured by overaccumulation of capital and the resultant rupture assumes the form of *financial crisis* due to the fact that production is encompassed by capitalist circulation, and the problems in the former are expressed in the monetary flows (p.352).

4.2 Overaccumulation of capital à la Harvey

Harvey formulated his overaccumulation of capital argument in his voluminous book that covers a great range of topics and arguments in Marxian political economy (Harvey, 2006).³¹ Interestingly enough, the spelling out of the overaccumulation argument follows a critical analysis of the three volumes of Marx's *Capital*. Besides, he criticizes the law of TRPF of Marx and interprets it under the basis of the findings of the first two volumes giving rise to the overaccumulation argument. Therefore, I will follow Harvey's path to expose his version of overaccumulation of capital.

Harvey points out that Marx built several models of the dynamics of accumulation in the first two volumes of *Capital*. In the first version of the first model of the dynamics of accumulation in volume I, Marx assumes that there is no technological and organizational change in the production sphere and hence physical and value productivities remain constant. Marx shows through this model that the pace of accumulation determines the level of wage rates, i.e., the actual rate of exploitation (s/v) fluctuating around the equilibrium level of the value of labor power. But Harvey asserts that it is possible in the specification of Marx's first model to think the following potential difficulty:

In the face of strong barriers to any increase in the supply of labour power, wage rates could rise so far above the value of labour power that scarcely anything was left over for accumulation. Under these conditions the reproduction of capitalism would be threatened. (p. 159)

³¹ The book first published in 1982.

In contrast to this first version, the technological and organizational change is allowed in the second version of the accumulation model and the physical and value productivities can be increased in the face of both labor scarcity and heightened class struggle in the workplace. The capitalist class has now a chance to kill two birds with one stone: as the rising social productivity of labor made possible with the technical change embodied in the constant capital allows for the reduction of the value of labor power and leading to a rise in the rate of surplus-value, the substitution of the living labor (variable capital) with the dead labor (constant capital including both circulating and fixed capital) will help reduce the demand for labor power such that it is now possible to reduce the wage rates far below the value of labor power. Thus, as the share of variable capital in the total capital decreases, accumulation creates its own relative surplus population (industrial reserve army) and increases the actual rate of exploitation independent of the pace of accumulation. The lowering of wage rates thanks to technical change brings about a tradeoff situation for the capitalist class to decide to continue with more technical change employing constant capital or employ more laborers as its prices become lower. The upshot is that, Harvey notes, “[t]here is nothing whatsoever to guarantee that the lower bound set to wage rates by considerations of this sort will correspond to the equilibrium wage required for balanced accumulation.” (p.160)

The second model of the dynamics of accumulation appears at the end of the second volume of capital where Marx examines the accumulation process not in the production but in the circulation sphere. Here Marx continues with the *no technological change assumption* and investigates the conditions for a balanced accumulation in the sense of full realization of total value created to be realized through the exchanges between the two departments of production. Harvey

specifically points out the required proportionality of the exchanges between the departments and the effects of a technical change on this proportionality. First, the violation of the proportionality of the exchanges between the departments leads to a crisis of disproportionality (p.168). Second, what is at stake in this proportionality is not just the requirement of the balanced exchange in value terms; there is also the requirement of the balanced physical exchange, i.e., in use value terms (p.170). A *viable technology* can guarantee these requirements but the potential conflict never disappears as technical change continues (p.171).

Harvey particularly notes the integration of the reproduction of the labor power to the circulation process of capital and its possible consequences. What is crucial in the second model of accumulation, from this point of view, is that there should be an equilibrium level of wage rate and the share of wages in the total product that is compatible with the proportionality such that a divergence from it as wage rate falls below this equilibrium level leads to a crisis in the circulation of capital (p.172). Combined with the result coming out of the first model of accumulation, the equilibrium wage rate (as the share of wages in total product) becomes doubly crucial in leading to a crisis that originates essentially either in the circulation sphere or production sphere in case of substantial divergence from this level (p.174). The conflictual nature of relations of distribution makes fragile the formation and preservation of such an equilibrium level of wage with its results:

The social processes of wage determination – inter-capitalist competition, class struggle, etc. - are such as to ensure that this equilibrium level is achieved only by accident. Production and consumption cannot be kept in balance under agnostic relations of distribution. ... The stage is set for building a third model of accumulation – one that exposes the internal contradictions of capitalism and demonstrates how these contradictions are the fount of all forms of capitalist crisis. (pp. 174-6)

Regarding the third model, Harvey argues that what Marx sought in the third volume of *Capital* was to expose the internal contradictions of capitalism as they appear on the surface as crises and went in the wrong direction by taking over from the political economists the problem of the *inevitability of the falling rate of profit* (p.180). More importantly, according to Harvey, though Marx *does not* convince us as to why the organic composition of capital and the rate of profit fails to stabilize³², he was able to “unmask what might well be *the* ‘fundamental’ source of capitalist crises: the contradiction between the evolution of forces of production on the one hand and the social relations upon which capitalist production are based on the other” (p.180). The contradictions arising from this fundamental source, Harvey goes on to say, “are expressed as disruptive collapse of the processes of social reproduction of the two great social classes in society and take the form of ‘an excess of capital simultaneously with a growing surplus population’” (p.192). More technically, under the imperative of accumulation for accumulation’s sake, as the technological change is materialized by the capitalists to extract more surplus-value, a surplus of capital (or capital surplus) is produced such that it cannot be employed and realized given the limited capacity of production and circulation. Hence the overaccumulation of capital. From this problem of the overproduction of capital, the necessity of the elimination of a part of capital derives to permit to strike a balance between the amount of capital in circulation and the capacity to absorb it so as to stabilize the rate of profit. And it is called the devaluation of capital (pp.191-2). Therefore, from the combination of the insights and results derived from the models of two volumes of *Capital*, Harvey develops a theory of overaccumulation of capital as a manifestation of the fundamental contradiction of the historical materialism between the

³² For Harvey’s discussion of countertendencies to the rising OCC and falling rate of profit, see pp. 181-7.

development of forces of production and the social relations of capitalism as the latter prevents the former from further development. This is, according to Harvey, what Marx sought to achieve in the third volume of *Capital* and but diverged from this direction and ended up with the law of the TRPF (pp.188-9).

Before closing this section, let us briefly look at how Harvey depicts the surface appearances of both the overaccumulation of capital and several processes of its devaluation. Overproduction of commodities (means of subsistence and means of production); idle capital in the form of fixed capital and money capital; surplus money capital and labor power; falling rates of return on capital advanced in the form of falling real rates of interest rates, of profit of productive and merchant's capital, and declining rents (p.195): These are all manifestations of surplus capital produced but not absorbed so as to be realized and is in the waiting room for devaluation. The devaluation of capital can happen through various processes. To begin with, as another aspect of the same process, the rising productivity of social labor through technological and organizational change reduces the socially necessary labor time embodied in new commodities and this becomes a benchmark for the existing commodities in circulation. The exit of the existing commodities from circulation through consumption at lower social average labor reduces the amount of accumulated of capital. Second, the centralization of capital occurs practically as the appropriation of smaller individual capitals by larger ones at lower than the normal values of the former. Still, now in a violent way, devaluation of excess capital occurs during the course of crisis. Both use-values and exchange values take their part during the crisis. Not only the use-values of commodities not employed may be lost, but also the exchange values of commodities may depreciate even though their use-

values are preserved for future employment (pp.200-1). The crisis functions in capitalism to restore the conditions required for a balanced accumulation:

... the general requirement for returning the system to some kind equilibrium point is the destruction of the value of certain portion of the capital in circulation so as to equilibrate the total circulating capital with the potential capacity to produce and realize surplus value under capitalist relations of production. Once the necessary devaluation has been accomplished, overaccumulation is eliminated and accumulation can renew its course, often upon a new social and technological basis. (p.202)

4.3 Overaccumulation of capital à la Clarke

Clarke's engagement with the PRA produced a criticism of overaccumulation of capital à la Aglietta and led to the spelling out of a new one (Clarke, 1988b, 1990).

Clarke claims that Aglietta did not develop fully his premise that the two departments of production develop unevenly. Why, after all, is there such a tendency in the CMP? He argues that while Aglietta implicitly saw the surplus profits in Department I as the source of overaccumulation, he provided its explanation on the basis of Keynesian "subjective irrationality of entrepreneurial expectations" (Clarke, 1988b, p. 80). And Clarke's overaccumulation argument unfolds. The presence of a tendency to overaccumulation of capital does not derive from the anarchic nature of the market as it is allegedly driven by the irrationality of capitalists but from the uneven development of productive forces among branches of production as competition forces them to innovate in order to survive and reap the potential surplus profits ('the objective features' of the CMP). Contrary to the homogenization of production norms in a particular branch of production as it is thought to be the case in Aglietta, Clarke argues, competitive pressure brings about the unevenness in the development of productive forces. The innovating capitalist, making the technical change as he introduces the new methods of production to reap the surplus profit, "will seek to expand productive capacity without regard to the limits of the market,

in perfectly rational anticipation of expanding his market at the expense of his competitors” (p. 81). Since the less advanced capitalists experience the downward pressure on their profitability, they also engage in the technical innovation, and by so doing they exacerbate ‘the overaccumulation of capital and the overproduction of commodities’.

Several observations must be made to trace the implications of the intervention made by Clarke. The tendency to uneven development of two departments in Aglietta appears to be nullified in Clarke and the uneven development takes on the form of unevenness of individual capitals thanks to their different levels of productivity. Besides, this tendency is now system-wide as opposed to being limited to two departments, i.e., though he does not mention, it applies to both departments instead of being isolated in Department I. Therefore, there is nothing in Clarke’s formulation that prevents the disturbance of accumulation by the disproportionality between the departments, a tendency, as Clarke pointed out, what is meant by the uneven development of departments in Aglietta. In fact, Clarke (1990) claims that, uneven development of productive forces and the resultant overaccumulation of capital and the overproduction of commodities appear not as a general overproduction but a disproportionality among the various branches of production. Similarly, devaluation of capital does not disappear: as the innovating capitalist employs the new methods of production, a part or whole of the existing (constant) capital has to be eliminated. Again, Clarke points out that the innovation means the intensification of labor and the redundancy of workers in addition to the devaluation. The effect of this new tendency on the organic composition of capital, the ways in which devaluation affects the accumulation process and profitability, the possible evolution of the labor process under the

technical change are the points on which Clarke remains silent. What is more, in his construction, overaccumulation and underconsumption do not refer to the same fact. The overaccumulation of capital and the overproduction of commodities occur no matter what the capacity of the market is. Since it is produced due to the contradictory social form of capitalist accumulation, it has nothing to do with the latter, the capacity of markets. On the contrary, the expansion of the markets intensifies the problem as it stimulates the overaccumulation by facilitating the accumulation of surplus profit by the innovators and the alleviation of the profitability problem for the less advanced capitalists. Similarly, the expansion of credit does eliminate the overaccumulation problem; it only alleviates the overaccumulation by relieving the monetary constraint that face capitalists as they need to realize the value of commodities in the form of money (Clarke, 1988b, pp. 81–3).

The further development of the theory of overproduction of commodities in (Clarke, 1990) requires us to note several important points about the exact place of the tendency for overaccumulation in his understanding of the CMP. As he clearly seeks to provide an account of the objective foundation of the tendency, he attaches a great significance to it in the CMP:

The tendency to overproduction underlies the threat of crisis that hangs over every capitalist, and that appears immediately in the pressure of competition. In this respect it is *the most fundamental tendency of the capitalist mode of production*, for it underlies the permanently antagonistic form of the social relations of capitalist production as the capitalist is compelled to hold down wages, intensify labor and extend the working day. However, it also underlies the tendency for capital to develop the forces of production, expand the world market, and create new needs. (Clarke, 1990, p. 457; emphasis added)

Note that competition is both the presupposition and the outcome of the tendency for overaccumulation. It is the manifestation of inter-capitalists struggles, and the

struggles between capitalists and laborers.³³ And crisis derives from a social necessity which is the result of the contradictory social form of the CMP and takes the form of “the devaluation of capital, destruction of productive capacity and the redundancy of labor” (p. 457).³⁴

The inherent tendency to overaccumulation cannot be eliminated but only suspended until a general crisis of overaccumulation. What Clarke calls sustained accumulation refers to the suspension of crisis tendencies and the credit system is the central mechanism that permits the suspension and deference of the overproduction problem from which the crucial aspect of accumulation derives: its regulation! (Clarke, 1990, pp. 459–464).

The similarity between the formulations and the intents of Harvey and Clarke is too much to escape our attention. In both formulations, overaccumulation is distilled as an underlying tendency in capitalism as they seek to find fundamental social reasons (i.e. contradictions) for the crisis formation. Nonetheless, they both incorporate the double aspects of the reproduction of class relations in value plane: production and circulation. Both formulations are, therefore, resist the inclinations towards giving a one-sided importance to any of them. This allows them to take into account the development of forces of production under the class relations and production of surplus value and the requirement of the realization of surplus value simultaneously. There is an excess of capital that cannot be realized in circulation, though its forms are more developed in Harvey’s writing than in Clarke’s. In both,

³³ It is hard to find the fundamental source of the struggles between capital and labor in competition only. The formation and reproduction of the wage relation is essentially conflictual not due to the competition but due to the fact that labor process is organized around the valorization logic and the antagonistic nature of distribution of what is produced.

³⁴ In this later formulation, devaluation comes into open only to the degree that it reflects the elimination of excess capital in crisis as against the first where devaluation *also* occurred as the innovator capitalist had to eliminate a part of the existing capital prematurely (cf. Clarke, 1988b, p. 82, 1990).

the competition or the coercive laws of competition play the role of the governor of the law of value and serves to explain, in part, the dynamism of capitalism and its historical legitimacy. The similarity in a negative sense is also present. The other crucial tendencies of the CMP are pushed to the background to reveal the more fundamental and inherent one. In Table 2, I provide a schematic comparison of theories of overaccumulation of capital in Aglietta, Clarke, and Harvey. Concerning the last two, despite their differences, it would not be wrong to consider the overaccumulation of capital à la Harvey as a more complex one due to the way in which it is developed and the detailed treatment of the manifestations of overaccumulation and its underside, devaluation. For this reason, as I below develop a critique of the overaccumulation of capital from a regulationist standpoint, I will focus on Harvey's work on the overaccumulation of capital. To that end, I will start with Harvey's early coquetry with the PRA.

4.4 A critique of the theory of overaccumulation of capital

The first work which clearly expose Harvey's theoretical engagement with the PRA appeared in 1989 (Harvey & Scott, 1989). Harvey here states that the 1970s and early 1980s witnessed a massive economic and social transformation as Fordism was substituted by a regime of flexible accumulation. In contrast to the rigidities of the former that cause serious troubles in the late 1960s both in the sphere of production and in consumer and labor markets, the latter appeared as a new mode of economic organization defined by "a remarkable fluidity of production arrangements, labor markets, financial organization and consumption" (p. 218). According to Harvey and Scott, the economic crisis emerged in the late 1960s was followed by a theoretical crisis of the late 1970s: as the new developments in advanced capitalism put the ability of the preceding Marxian theories to put what is currently happening into

question, the inner debate among Marxian circles as to how to reply to these new developments combined with the emergence of the counter-movements such as deconstructionism and postmodernism led to “a retreat from theoretical work and increasing fragmentation of research concerns” (p. 221).

Table 2. A Schematic Comparison of Theories of Overaccumulation of Capital

Overaccumulation	In Aglietta	In Clarke	In Harvey
Underlying cause(s)	Uneven development of Dep. I (intra-accumulation)	Surplus profits in any branch of production	Accumulation for accumulation's sake
Supported by	Technological change Business euphoria	Technological change	Technological/organizational change
Governed by	Competition	Competition	Competition
Conditioned by	The distribution of total income	Independent of income dist.	Independent of income dist.
Relative to	Dep. II	Capital in circulation	Production Capital in circulation
Status	One of tendencies	Fundamental	Fundamental
Countertendency/ Containment	Co-development of Dep. II Devaluation of fixed capital	Credit expansion	Increasing labor productivity (constant devaluation) Centralization of capital Displacement in time and space Macro-economic control
Forms of appearance	Disproportionality between departments Inflation	General disproportionality Unsold commodities	Unsold commodities Surplus money Falling rates of real interest rate, profit rate, and rent
Ultimate Resolution	Crisis	Crisis	Crisis

The primacy of a *general theory of the political economy* directed towards the understanding of the *generality of capitalism in its totality* was replaced by the

primacy of empirical research and the local when it came to human geography (pp. 221, 224). Against such an intellectual current, Harvey and Scott call for a return to the former:³⁵

This task must be pursued in the full recognition that regimes of accumulation do change over time, and that the arenas of accumulation shift around in geographical space. *There are, nevertheless, certain durable aspects of capitalism* [emphasis added] that we wish to insist upon in striving to build a holistic theory able to capture its totalizing behavior. And that means dealing with basic concepts of class relations, capital accumulation, commodity exchange, money forms, finance capital, state formation, and the various manifestation of oppression endemic to capitalism. (p. 223)

We will take up their point later. Let us for now note that they are uncertain about the reasons for a historical transition from Fordism to flexible accumulation though they espouses a regulationist approach and recognize the rigidities of Fordism, productivity slowdown, increasing difficulties of labor control, heightened international competition and increasing burden of welfare spending (pp. 218, 228-9).

The uncertainty about the reasons for and the logic of the transition disappeared when Harvey's published his *The Condition of Postmodernity* (Harvey, 1990). Harvey utilizes in this work the PRA to interpret the political economic transformation of the 1970s and 1980s and develops the concept of the regime of flexible accumulation as what follows Fordism. Having analyzed the two regimes of accumulation (Fordism and flexible accumulation) and exposed two other comparisons of before and after 1970s, Harvey states his inclination towards regulation approach but claims that its success lies its rather pragmatic orientation and that it lacked a "detailed understanding of the mechanisms and logic of

³⁵ Nonetheless, they note the significance of the importance of the specific and the capacity of the agent in terms of action, imagination and will.

transitions” (pp. 176-9). With such a diagnosis made, Harvey calls for plugging this supposed gap which, according to him, requires:

... going back to basics and dealing with the underlying logic of capitalism in general. And it was, of course, Marx’s peculiar virtue to have built a theory of capitalism in general through an analysis of capitalism under the broadly competitive and *laissez-faire* [emphasis in original] mode of regulation to be found in Britain in the mid-nineteenth century. *Let us go back, therefore, to Marx’s ‘invariant elements and relations’ of a capitalist mode of production* [emphasis added] and see to what degree they are omni-present beneath all the surface froth and evanescence, the fragmentations and disruptions, so characteristic of the present political economy. (p. 179)

What follows this call for a return to the basics is the spelling out of the overaccumulation of capital argument laid out in the *The Limits to Capital*. What has been *durable* in the CMP is the fact that it is growth-oriented (‘accumulation for accumulation’s sake’), based on the extraction of labor in production (‘exploitation of living labor’), and technologically and organizationally dynamic. These three conditions make impossible for the capitalist economy to grow in a steady and balanced way and make it crisis-prone meaning that overaccumulation capital becomes an integral and ever-present aspect of it. “It is never ending and eternal problem for any capitalist mode of production. The only question, therefore, is how the overaccumulation tendency can be expressed, contained, absorbed, and managed in ways that do not threaten the capitalist social order” (p. 181). Harvey, in particular, enumerates three ways as countertendencies to it. These are the devaluation of excess capital, the macro-economic control under the *regulatory system* such as Fordism and Keynesianism, and the absorption of overaccumulation as a more durable solution. The latter being more effective includes the practices of displacements of excess capital in time, in space, and in time-space (temporal, spatial, and spatio-temporal fixes) (pp. 181-4). And Harvey is now able to explain the causes of crisis and the transition triggered by it:

It was primarily through spatial and temporal displacement that the Fordist regime of accumulation resolved the overaccumulation problem during the long postwar boom. *The crisis of Fordism can to some degree be interpreted, therefore, as a running out of those options to handle the overaccumulation problem. ... The crisis of Fordism was, therefore, as much a geographical and geopolitical crisis as it was a crisis of indebtedness, class struggle, or corporate stagnation within any particular nation state* [emphasis added]. (pp. 185-6)

And flexible accumulation is understood by Harvey as the basis of a new cycle of accumulation that incorporates the practices of absolute and relative surplus production. Harvey particularly notes the emergence and prevalence of strategies of absolute surplus value production not just in periphery but also in advanced capitalist countries (pp. 186-7).

I will argue that, in contrast to Harvey's assertion about the failure of the PRA to account for the causes of the transition and *hence crisis*, the PRA does provide an account of the crisis and the transformation it brought about thanks to its theoretical roots. On the contrary, Harvey's analysis based on overaccumulation of capital is far from convincing us that the emergence of a new regime of accumulation, namely flexible accumulation, expressed the fact that the possibilities of displacements of excess capital in the previous regime exhausted. Why then a regime of accumulation (Fordism) which had been successful enough to produce surplus capital was forced to a violent transformation such that the new practices of labor extraction through absolute strategies or the new labor process organization on the basis of flexibility, and a new mode of state involvement in the economy (re)emerged again in the late capitalism? In my view, such a failure of the theory of overaccumulation of capital à la Harvey stems from the two-fold misdirection Harvey took: a) in an attempt to reveal the internal contradictions of the CMP, Harvey misses the fact that as a regime of accumulation and a mode of regulation works together they produce *a variety of tendentialities including* overaccumulation

of capital and there is nothing in this fact that contradicts the underlying features of the CMP; b) related to the first, his valuable attempt to explain the logic and pattern of geographical development in an uneven fashion in the CMP under the imperative of capital accumulation led him to find an ever-present problem in the working of the CMP such that he ended up with his overaccumulation of capital which then he operationalized to explain the major crises of 1930s and 1970s.

In his important discussion of the relationship between the object of regulation and regulation itself, and the nature of this relationship, Jessop argues that in a similar fashion to Marx's methodological argument in 1857 *Introduction* where he argued that "there is neither production in general nor general production: only particular production and the totality of production, ... there is neither regulation in general nor general regulation: only particular regulation and the totality of regulation" (Jessop, 1990, p. 186). Therefore, in reality, there exist only definite regimes of accumulation and modes of regulation. From this argument, when thought from the perspective of the overdetermination principle, the following conclusion could be drawn that will shed a light on the nature of tendencies and crisis in the CMP:

... while the value form defines the basic parameters of capitalism, neither its nature nor its dynamic can be fully defined in value-theoretical terms and further determinations must be introduced. *Moreover, since capitalism is underdetermined by the value form, each mode of regulation compatible with continued reproduction will impart its own distinctive structure and dynamic to the circuit of capital* [emphasis added]. This implies that there is no single and unambiguous 'logic of capital' but, rather, a number of such logics. Each of these logics will be determined through the dynamic interaction of the value form (as the invariant element) and the specific modes of regulation and accumulation strategies (as the variant element). (p. 187)

Therefore, the formation and the functioning of certain tendencies/countertendencies and the making of the crisis in the CMP are conditioned by the articulation of a particular regime of accumulation and mode of regulation both of which form the

mode of development.³⁶ The tendency of overaccumulation of capital and its countertendencies are, therefore, conditioned by and function in and through the mode of development. This is, in fact, how Aglietta treated it (Aglietta, 1979). It is true that the tendency of the uneven development of departments never disappears in his analysis. However, the modality of containment of this tendency and the emergence and modality of countertendencies (co-development of Department II, devalorization, inflation) are determined in and through the mode of development. And the crisis is a situation in which *the contradictions of the mode of development* cannot be contained further.

Above I tried to show how Harvey proceeds to develop the argument of overaccumulation of capital. There he points out that the reproduction of capitalism would be threatened when it faces strong barriers in the increase of supply of labor power *under certain assumptions* and the antagonistic nature of the distribution of what is produced. The Regulationist analysis shows us that these potential problems became serious when Fordism developed in the advanced capitalism and put a downward pressure on the rate of profit in the late 1960s and early 1970s. Besides, the production of surplus value within the Fordist labor process, something taken for granted in many Marxist accounts, faced barriers during the same years and diagnosed by Regulationists as a serious bottleneck in the accumulation of capital. These all are enough to indicate how overaccumulation of capital à la Harvey is far from being a underlying theory of crisis in the sense that it does not finish its task to reveal the *inherent* contradictions of the CMP and their manifestations, and it cannot be relied upon as a key under our hand which open every lock so as to solve the mystery of major crises of the CMP.

³⁶ See (Lipietz, 1993, p. 117) for Lipietz's remark on this, and the endnote 27 at page 209 in (Jessop, 1990) for Boyer's remark.

One, in fact, can find in Harvey a return to a position according to which capital accumulation faces several limits and barriers that have to be overcome or circumvented to be able to continue (Harvey, 2010a, 2010b). He enumerates eight *potential barriers* which can block the circulation of capital and cause the crisis: inability to amass initial capital to set out the production; “scarcities of labor or recalcitrant forms of labor organization that can produce profit squeezes”; “disproportionalities and uneven development between sectors within the division of labor”; environmental barrier; “imbalances and premature obsolescence due to uneven or excessively rapid technological changes driven by the coercive laws of competition and resisted by labor”; “worker recalcitrance or resistance within a labor process that operates under the command and control of capital”; insufficient effective demand and the problem of realization; and credit system and centralization of capital (Harvey, 2010a, pp. 316–37). Overaccumulation of capital now is pushed into a more correct position: “Growth [accumulation of capital] then stops and there appears to be an excess or overaccumulation of capital relative to the opportunities to use that capital profitably ... [and when this situation is prolonged it] eventually produces a crisis of devaluation” (Harvey, 2010b, pp. 45–7). The theoretical movement from the first position to the second should be clear to the reader. Harvey substitutes a conception of overaccumulation of capital that refers to the presence of excess capital *produced* relative to the opportunities to *realize* it as capitalists innovate and update the technological and organizational basis under the imperative of production for production’s sake with a conception of it that refers to *a situation in which the flow of capital is subjected to a blockage due to various relative barriers/limits including the very production and distribution of surplus value*. And what Harvey distills from this analysis should be compared with the PRA’s

conception of capitalism and its crises. Harvey underlies the potency of going in the direction that Marx pointed:

... it is more in keeping with Marx's frequent invocation of the fluid and flexible character of capitalist development to recognize this perpetual repositioning of one barrier at the expense of another and so to recognize the multiple ways in which crises can form in different historical and geographical situations. (Harvey, 2010b, p. 117) ³⁷

It will not be wrong to claim that major crises of capitalism has the stamp of authority of the existing configuration of class relations. This is, for the PRA, constitutes the problem of regulation: reproduction of class relations however contradictory they are. The canalization of class relations in certain institutional forms is an essential component of the accumulation process and a regime of accumulation cannot be constituted on its own neither in theory nor in practice. Their articulation in a specific space and time modifies the capitalism in general, with some tendencies standing out and interacting while others pushed into the background. And crisis is, then, not the manifestation of an eternal tendency but of the particular one(s).

³⁷ Harvey explicitly points out the insufficiency of effective demand as the underlying source of the crisis of 1930s (Harvey, 2010a, p. 338), "excessive capitalist empowerment vis-à-vis labor and consequent wage repression" for the 2008 crisis (Harvey, 2010b, p. 118) and expresses his sympathy with the profit squeeze for the late 1960s and early 1970s (Harvey, 2010a, p. 320, 2010b, p. 65).

CHAPTER 5

CONCLUSION

Our analysis on the Parisian Regulation Approach (PRA) shows that it has distinctive theoretical roots that inform its way of study of capitalist mode of production and its crises. It was developed within an intellectual environment dominated by structural Marxism. However, the tension aroused between the structural conception of capitalist mode of production and its crisis, combined with the theoretical searches in the Marxian political economy, led to the formation of the PRA as a distinctive approach to the study of capitalism. The structural Marxist conception of capitalist society focused too much on the reproduction of class positions with an implicit functionalist logic and underestimated the contradictory nature of the social relations. The rebellion of Regulationists to structural Marxism mainly took place on this terrain. The conception of regulation in the PRA thus corresponded to the reproduction of social relations which are inherently conflictual and contradictory. Hence *regulation as reproduction within contradiction*. From such a perspective, mode of regulation is the collection of those institutional forms within which class relations are regulated producing certain observable regularities. The significant implication of a mode of regulation in the PRA for capitalist accumulation is that it takes place in and through a mode of regulation. The canalization of class struggles within institutional forms affects and is affected by the functioning of law of value. The result is the emergence of certain regularities in the process of accumulation captured by the concept of regime of accumulation. Therefore one can speak of the articulation of mode of regulation and regime of accumulation that can be identifiable as mode of development of capitalist mode of production. This articulation produces certain tendencies and countertendencies in

the regime of accumulation and prepares the conditions for the crisis formation, the exact causes and forms of appearance of which depends on the exact configuration of social relations. The crisis is the situation in which no further reproduction is possible under the same configuration and what follows is the structural change both in social relations and the process of accumulation.

I find very useful this understanding of the PRA to make sense of the developments and transformations in capitalism including the formation of crises in it. In the last of part of the present study, I focus on overaccumulation of capital as a specific crisis theory developed and utilized in interaction the PRA. Such an exercise indicates within the particularity of theory of overaccumulation of capital the limits of the conception of crisis on the basis of the more fundamental tendencies in capitalism. Instead, as the analysis of the PRA shows, crises of capitalism are formed as a result of particular tendencies in particular historical stages of capitalism as they are brought about under the combined effect of the development of forces of production and class struggles.

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