# 6

# Weak Systems: Regulation and Regime Theories

We now move to a strand of theory that is based on *objective rationality*. The assumption of the theories in this strand is that the world/society has a logic of its own which makes it ultimately knowable and potentially transparent. The subject, who of course remains the instance alone capable of actually 'knowing', faces this world/society no longer in his/her capacity as the *source* of rationality; epistemology (theory of knowledge) is less of an issue when we are dealing with theories of objective rationality. In practice, a (usually implicit) positivist-empirical attitude is adopted when it comes to setting out the specific method of enquiry. There is always the option of a flash of insight which inevitably will be critical—in weak systems, the assessment of whether the system still is compatible with one's interests; in strong systems, entailing a radical rupture with habitual forms of thought and behaviour.

I will first address the general framework of systems theory. Systems theory runs through many structuralist theories. General Systems Theory (GST) was developed in the first half of the 20th century on the basis of new developments in biology, although it had been earlier thought about. In section 1 we go over this history and list the characteristics of systems. We then turn to Regulation theory and its background, with a section devoted to the comparison with Rational Choice micro-economics and

institutionalism. The third section deals with Regime theory and its tradition.

## 1. OBJECTIVE RATIONALITY AS SYSTEM

*All* social theory, even radical subjectivist theory such as Rational Choice (which does not acknowledge society as a reality and can only represent it mathematically as the intersection of subjectivities), ultimately relies on a rule of thumb about what makes the world tick. In other words, every subjective, actor-oriented theory has an implicit objective theory except that it will tend to *reduce* the workings of society away from a full recognition that society represents a reality in its own right.

In several such subjectivist theories an inherent logic is already hinted at. As we saw, in institutionalism this has progressed to the point where it is assumed that something like an inherent *mechanism* (the principle of the survival of the fittest, or the 'double movement' of Polanyi) is at work. In systems thinking, this inherent logic, or inner rationality of the objective world as it is, is made explicit. Society in this tradition is seen as (or compared with) an *organism*.

As we will see, the organism metaphor, a quasi-biological *system*, was first developed from a vantage point subjective rationality, but in the 20th century, with the advances made in biology, it became more widely adopted and was developed into *General Systems Theory*, which provides the matrix for a broad range of objectivist, structuralist theories.

### General Systems Theory

Systems theory is a way of analysing society and nature in terms of self-sustaining, complex entities which adapt to their environment, and are subject to internal processes of growth and functional specialisation—organisms.

The origin of systems thinking goes back to Enlightenment thought (G.W. Leibniz, 1646-1716, and Kant), and was raised to a higher level of articulation in the French revolution and its aftermath (Saint-Simon). We

saw that Comte, too, freely used the organism metaphor, speaking about the childhood and maturity of both individuals and of societies, and so did the (after all, *evolutionary*) institutionalists.

*Systems analysis is the science of organised entities, with rules governing their self- maintenance, principles of operation, and relations to other organised entities.* From Leibniz it borrows the aim of describing the world by means of one comprehensive science, a general language (mathematics) in which all problems can be described, analysed, and solved.

Immanuel Kant (who of course was a subjective thinker), in his theory of how the mind works yet provided the key starting point for systems theory. In the section of the *Critique of Pure Reason* entitled 'the Architecture of Pure Reason', Kant writes that 'system' means 'the unity of manifold knowledge under an idea' (note that of course, everything in Kant except for his last writings on history, tends to be subsumed under the subject's relation with the world in thought). The fact that the human being is itself an organism, implies according to Kant 'organised' thought. Both serve 'the unity of the goal, to which all parts are directed and in the idea of which, are also mutually connected…'

> The totality hence is articulated and not simply thrown together, it can grow within itself, but not by external addition, just as the growth of an animal body does not add limbs, but makes each of them stronger and more fit for its purpose, without a change in proportion (Kant, 1975: 839-40, Latin explanations omitted).

The biological metaphor Kant uses to explain how the internal structure of both the purposeful, thinking subject, and the goal to which action is oriented, were easily transplanted to the objective world—from a principle of epistemology to one of ontology, that is. This happened in two directions in different social settings:

- one, in the French revolution, as a principle of *organisation* (how do the component parts of a large and complex society such as France fit together and how should they be prepared to perform their function in the totality);

- the other, in the German states that were stirred to new life by the French revolution, as *organism*, the idea that a state is born, grows to maturity, and eventually decays.

Systems theory in its application to society was to hover between these two poles, between rational organisation and the organicist metaphor of society as a living organism. Of the former, Saint-Simon and Comte were the main representatives; of the latter, Hegel, Herder, and the particular heritage they left behind (out of which grew geopolitics). In the English-speaking world, Herbert Spencer's sociology was already mentioned in Chapter 3.

In the twentieth century, the idea was taken up by the Austrian biologist, Ludwig von BERTALANFFY (1901-'72). Bertalanffy applied the insights of the new biology of his day to a wider field of application. He was dissatisfied with positivism which he felt, mistakenly ascribes a mechanistic quality to observed social action; but the problem to him is not a purely epistemological one (which would suggest the solution of hermeneutics).

Bertalanffy wants a social science which treats society as a *living whole*. Everything that is known about living wholes (organisms), should be formulated in such a way that a society, too, can be described, analysed and explained satisfactorily in the same terms.

In the early twenties, Field Theory with its claim of an organic formative principle which governs a particular set of elements, and the insights into embryo development which were described and generalised in the 1930s by Weiss, prepared the terrain for Bertalanffy's idea of a general theory applicable to all organic units and units made up of organisms such as society. General System Theory (GST) is dated by Bertalanffy as of 1945 (see Bertalanffy, 1950).

According to GST, all living organisms function roughly along the same lines.

> Whether we consider nutrition, voluntary and instinctive behavior, development, the harmonious functioning of the organism, or its regulative functions in cases of disturbances of the normal, we find that practically vital processes are so organised that they are directed to the maintenance, production, or restoration of the wholeness of the organism (Bertalanffy, 1962: 8).

It should be noted that the central question in systems analysis is not whether organisms function in this way, because they do. *The question is whether human society can be considered an organism along these lines.* Everything stands or falls with this question. Thus, 'history' in GST becomes *development*, which is defined as the 'increase of the degree of visible complexity from internal causes'. External factors contribute to this, but the essential impulse is endogenous. Development is therefore 'a gradual rise in the level of organisation' (Bertalanffy, 1962: 68). And with level of organisation, we should again think of growth and functional specialisation preparing the organism for successful adaptation to the environment.

Clearly these are not just alternatives.

Development is a process that ends with the fully grown entity, and all 'history' in hindsight appears as a growth process governed by *teleology*, (from 'telos', Greek for 'goal'), the programme already contained in its own DNA. But one can of course also approach history as an open-ended process which has no pre-conceived goal. As we will see later, Hegel's conception of how objective rationality develops, and GST are branches of the same root. For Hegel's concept of history is an organic metaphor too. He sees history as a preordained course of events in which individual variation occurs, but through which the rationality which is there all along (which he identifies with God), takes its inexorable course *to its own finality* (claiming to follow Hegel's argument, Francis Fukuyama's *End of History* thesis celebrated the end of the cold war as the achievement of the inherent rationality of history in the triumph of the West).

It is only in its *epistemology* that GST breaks with the Hegelian heritage. Systems analysis has no specific theory of knowledge (like dialectics in Hegel's case), but adopts the 'observer' notion which we know from subjective rationalism. As one writer in the systems tradition sums it up, 'the [system] equations are merely indications of what would happen if people *did not stop to think*' (cf. L.F. Richardson quoted in Rapoport, 1966: 25, emphasis added). In other words, a system implies that actors (people, states) will be inclined to blindly act out the systemic relations of the quasi-organism of which they are part, but they can come to their senses, see what is happening, understand the system, and act to change it.

The world/society (which is inherently rational, and hence, knowable) works according to its own logic, but the subject(s) can manoeuvre themselves into a position where they 'stop to think'. This they should then do 'critically' because otherwise they take the system for granted. This in fact is the epistemology of objective systems thinking; one either acts out blindly the rationality of the system, or one stops to think, 'thinks twice', and refuses, or whatever else. We are looking at *weak* versions of systems theory—the subject has a greater degree of latitude than with the strong systems theories we turn to in the next chapter. The entities engaged in a mode of regulation (classes), or a regime (states) therefore will rely on policy-relevant knowledge to see if they remain in the system or opt out.

**Figure 6.1. Weak Systems Theory—Agent Autonomy vs. System Logic**

| *O N T O L O G Y* | | | |
|---|---|---|---|
| Agents retaining substantial policy autonomy | Functional, optimising behaviour in the face of challenges from the environment, or to fulfil requirements for system maintenance | | Self-regulating properties of system |
| Policy-relevant knowledge | practical evaluation of the system | empirical system effects | System rationality |
| *E P I S T E M O L O G Y* | | | |

Let me sum up the main characteristics of GST before turning to its ramifications in GPE.

I begin with the main characteristics of the objective organism as such. A system is defined as 'spatially and temporally well-defined material and energetic state' (Bertalanffy, 1968: 55). Two aspects that we will not specifically address again, are the birth and the death/decay of a system. The others are,

- First, the concept of *growth by differentiation and specialisation* (development). Bertalanffy sees in this the main difference with merely physical wholes. While in the latter, there is a union of pre-existing elements (atoms, molecules), in a living organism the whole takes shape by 'differentiation of an original whole which segregates into parts' (Bertalanffy, 1968: 69). The distinction at stake here is that between *motive* and *formative* power, i.e. the power to mechanically displace/replace something, and the power to grow and diversify, respectively.

- The second key concept in GST is *hierarchy*. This refers to the different states of a system on the way to a fully grown end state. Development is the change which occurs in a system as long as it has not reached its potential level of organisation (Bertalanffy, 1962: 186).

- The third concept in GST is *centralisation*. While it is a central characteristic of a system that it is capable of self-maintenance and self-regulation (Bertalanffy, 1962: 184), there tends to be one element among the many interactive ones making up the system in which this capacity is centralised, e.g. in a central nervous system.

- The fourth concept, *regulation*, follows from this. Regulation implies the action taken to remove malfunctioning, which may refer to one element in the system but can also refer to the organism as a whole. Regulation theory in political economy derives straight from this aspect of GST, even if this is usually not acknowledged, but arrived at by following a certain implicit in an unreflected way.

- The fifth concept is *equilibrium*. The system aims for a future equilibrium, driven by an inherent purpose (survival/adaptation), and removing malfunction on the way by regulation through its central regulative apparatus. Equilibration may be static, such as fur meant to keep warm, or dynamic (e.g. thermoregulation by a thermostat, which is only activated in case of a disturbance, so that the system has a capacity to keep its equilibrium state in all conditions, *homeostasis*).

These aspects/concepts of systems theory are all objective properties of a system. Systems theory was early on applied notably to defence budgeting (Wildavsky, 1966, contrasts it with 'individualistic theory').

A system is made up of elements. A social system is made up of people, institutions, practices/routines, ideologies, etc. All the above characteristics can be applied, if only as a descriptive procedure, to society. The subject and his/her choices, too, are therefore an aspect of the system. Since the rationality of the whole resides in the system, the rationality of the individual subject (whether a living person or a collective entity acting as a unit) can only be a subordinate, derived rationality. This leads to the concept of *functionalism*.

**Functionalism and Degrees of Functionalism**

By functionalism we refer to an implication of the earlier components of a system (growth through centrally regulated equilibrium) for action. Whereas in the theories we discussed in part I. the underlying ontology is premised upon subjective choice, freedom of action, etc., here we encounter the radically different implication of theories of objective rationality, which is that subjects may try what they want, but ultimately their actions are governed by a higher rationality than their own. All behaviour, relations, and goal setting therefore are defined from the need of system maintenance.

Whenever an action is taken, it can be functional or dysfunctional, and the system has the capacity to weed out dysfunctional behaviour and

reward the functional. People are not supposed to be literate about what the system needs are in this sense, and their actions therefore are a learning process about what works in a given setting and what does not. Functionalism in social analysis occurs when people become aware that their action contributes, often unintentionally so, to the maintenance of a system; it may even be that actions intended to remove the system.

An example would be the central concept of the theory of Regulation in GPE, that of Fordism, in which workers' resistance to capitalist discipline, while motivated out of anger, rejection, etc., yet is functional for the maintenance of the system as long as it takes the form (or can be negotiated to take the form) of wage rises, which within a certain range of productivity increase, only reinforce the workings of the system. Otherwise, functionalism can be a polemical term as well. This would apply when historical developments in hindsight are qualified as 'necessary' to achieve a later stage of history. In that case, one might object that the 'necessity' has to be referring to a logic which apparently works above history. Here again we are back with our original starting point, that of objective rationality, the real is rational.

Regulation theory and Regime theory are discussed here as *'weak' versions of systems theory*—that is, there is still a strong element of subjective rationality at work in what these theories analyse. But once goal-seeking actors (classes, states) have entered into relations of a particular quality (a mode of regulation, or a regime), this then imposes its own rationality on their action as if they have become part of an organism that develops, adapts to its environment, and removes dysfunctionalities.

Regulation theory of course adopts a Marxist terminology and therefore can also be understood if we look at it from the angle of historical materialism or rather, materialism (it has no theory of ideology and class consciousness); Regime theory was originally developed in terms of Public Choice theory. Here I discuss them under what I see is their common defining characteristic.

## 2. REGULATION THEORY

In both Regulation and Regime theory the systemic constraint does not suspend the freedom of action of the agents entirely; it is merely that once they enter into this systemic relationship ('by choice') their actions tend to become part of a system that suspends this freedom/choice (apart from the choice of opting out).

In that sense, institutionalism of the Polanyi variety, with its strong systemic strain (the double movement), and Regulation and Regime theory, tend to be difficult to distinguish except by the specific vocabulary they introduce. Thus Ruggie's article on 'embedded liberalism' is an example of a piece in which Institutionalist and Regime elements enter without creating a contradictory result (which would be the case if, say, a Rational Choice approach would be combined with a 'strong' systems theory like Wallerstein's.

### Background in French State Intervention

Regulation theory has its origins in the work of the French economist, François Perroux (1903-1987). Perroux was one of the most prominent social scientists in France in the 1950s and 60s and was an economic adviser of successive governments in the Fourth Republic. His politics were informed by his criticism of US influence over France. Perroux was one of the founders of the 'New French School' in economics which sought to introduce structural phenomena of power represented by big corporations, the state, and major industrial innovations, into economics. His recommendations included develop 'growth poles' in the economy to meet the American challenge. In his theoretical argument, Perroux explicitly uses concepts of system, structure and sub-system. The economy in the view of Perroux is a 'structured ensemble' (used synonymously with 'system' here).

> which is constituted by structured sub-ensembles such as industries or regions. These structured sub-ensembles (sectors) stand in a dialectical relationship to each other: that

> is the engine of development, and beyond that, of growth (quoted in Waringo, 1998: 45).

There is an obvious affinity with Institutionalism here in that it is the action of different institutions (here described as [sub-] 'ensembles', i.e., systems) upon each other which serves to explain phenomena such as exploitation and inequality. Incidentally, 'Institutionalism' has been used as invective by one Regulation school in France against the other (Waringo, 1998: 54).

There are two main branches of French Regulation theory, that of Grenoble (G. Destanne de Bernis, Maurice Byé, a.o.) which develops straight from Perroux's preparatory work and is most clearly a systems theory, and that of Paris (Michel Aglietta a.o.). This second approach developed from the state monopoly capitalism theory of the communist party.

The *Grenoble approach* is closest to the starting point of Perroux. It is also most open to the international, because it takes the unity of the process of capital accumulation as its point of departure. The Paris approach, by taking instead the wage relation as its conceptual focus, tends to conclude that it is the national state in which this relation is regulated and class compromises are struck; hence, its concept of GPE is rather of an inter-state variety (Waringo, 1998: 41).

For the Grenoble Regulationists, the analysis of crisis has to begin by understanding why there are non-crisis periods of stability. They adopt their systems perspective on regulation from a phrase by the French philosopher Canguilhem, who defines regulation as 'the adjustment, obtained by certain rules or norms, of a multiplicity of movements or actions and their effects or products, which because of their difference or their sequence initially are alien to each other' (quoted in Waringo, 1998: 52, my transl.).

The systems approach of the Grenoble Regulationists is well brought out by the ambition of Destanne de Bernis to show that economic development represents a quasi-natural process, to which contradictory social developments must be subordinated. Therefore he claims that the

social sciences should borrow from the natural sciences, e.g. insights such as those into the thermodynamics of systems (Waringo, 1998: 54). His view of class struggle is entirely contained in a systems perspective. Class struggle merely as a dysfunctionality in the economy; the dynamics of the system result in reality (and here we may read the influence of Perroux and of institutionalism) from *the competitive struggle between capitals* (Waringo, 1998: 59).

As to the structure of the global political economy, Byé and Destanne de Bernis claim that there are two categories of nations, dominating and dominated. Only the dominating nation(s) is/are characterised by an autonomous mode of regulation; the dominated ones have no way of reproducing their own, and the spaces of the dominated nation(s) that are integrated into the productive system of the dominant ones, represent an integral part of their economy (Waringo, 1998: 63). So while there are nations whose productive system extends beyond their borders, there are others which do not contain an integral economic circulatory system.

The *Parisian* Regulation approach (Aglietta, Alain Lipietz, Robert Boyer, and others) rejects the naturalistic systems approach of the Grenoble school. Their central concern is not how stability of capitalism is possible in spite of competition, but how it is possible in spite of the conflictual, class nature of capitalism (Waringo, 1998: 66). Philosophically, their origins are not in straight systems analysis and the biological concept of regulation, but in the structuralist Marxism of Louis Althusser (according to Lipietz, cf. Waringo, 1998: 66 note; Althusser's work is perhaps best considered as a recapitulation of Marx's theory in a materialist framework). But in the way their Regulationism is worked out (notably by Lipietz himself in his article 'Towards Global Fordism' (1982) which is based on systemic equations between productivity and wages), the systems legacy transpires clearly.

**From State Monopoly Capitalism to Regulation**

What became known as the Parisian approach has its origin in the version of the theory of *state monopoly capitalism* as developed in Soviet Marxism. The term goes back to Lenin's piece, 'The Impending Catastrophe and

How to Combat It' of October 1917. Here Lenin claimed that state control of the economy for war purposes created 'the complete *material* preparation for socialism, the *threshold* of socialism' (*Coll. Works*, 25: 363). When the capitalist West appeared to be stabilising itself in the years after 1945, this was explained by Soviet Marxists from the intervention of the state into the economy, propping up the fragile foundations of the actual capitalist economy by state ownership of infrastructure, indicative planning and countercyclical economic policy, management of collective bargaining, and so on.

In France, the Communist Party was one of the key centres in which this idea was developed further outside the USSR (the other was the German Democratic Republic). Among the French authors working in this tradition, Paul Boccara and Philippe Herzog were the most prominent. They wrote their own works and played a key role in the two-volume study, *Le capitalisme monopoliste d'Etat* of 1971. This was meant as an 'official' statement of the theory, which outlined the argument that the state by taking effective control of the capitalist economy, was in fact preparing its transformation into a socialist one. At the time, this appeared like an accurate prediction, although in hindsight it looks as if the neoliberals understood this better than the leftists—certainly they found the answer to the threat of a socialist transformation by violently opening up the national economies, break down state intervention, and expose class compromise between capital and labour to the full impact of world-wide competition, 'globalisation'.

In the early 1970s, this seemed a remote possibility, if it was perceived at all. The Common Programme of the French Left was effectively based on the assumptions of the theory of state monopoly capitalism; it was expected that a programme of nationalisations of the biggest banks and transnational corporations would place the levers of control of the French economy into the hands of a progressive government and allow it to introduce what the French communists called 'advanced democracy'.

Michel AGLIETTA (b. 1938) was the assistant of Paul Boccara before he moved away to develop his own variety of Regulation theory, no longer tied to party doctrine. He made his name and established the label

'regulation' in 1976 when he published his study of how the American economy had evolved through successive 'regimes of accumulation'—based on class compromises by which the economy is kept together as a functioning whole, where one would expect it to grind to a halt as a result of its unplanned operation amidst social conflict.

Aglietta sees the source of instability (and simultaneously, the nodal point of its temporary stabilisation) in the *wage relation*. In the wage relation we have the driving force of capitalism. The defining experience taken as the focus of their studies is Fordism, the demand-led mass production of consumer durables kept going by an economic policy aimed at evening out cycles of excessive and collapsing demand—the counter-cyclical approach advocated by Keynes.

Aglietta distinguishes two phases in capitalist development:

- *extensive accumulation*, characterised by the widening of markets and the growth of productivity by way of extending the working day

- *intensive accumulation*, characterised by the growth of labour productivity by mechanising the production of wage goods, and developing the inner market by mass consumption (Fordism).

The internationalisation of intensive accumulation from the US, where it originated, to Western Europe, involved direct investment by American companies in the Fordist industries. Aglietta claims that the generalisation of the Fordist model suspends the advantages which US capital enjoyed by exploiting the less developed zones of implantation; as a result, conflicts between US, European and Japanese capital multiply. The turn to deflation and austerity policies by the main centres of capitalism further restricts the size of markets, intensifying competition (Waringo, 1998: 118).

**Regulation Theory Compared to Rational Choice and Institutionalism**

To highlight the differences with micro-economics and institutionalism, let us hear Aglietta's own assessment of these approaches. First, micro-economics and by implication, Rational Choice.

'If we reject the paradigm of the pure economy, as established by the rational expectations school, this raises the problem of the social fabric,' Aglietta notes (1998: 45) .

> Economic relations cannot exist outside a social framework. It is quite clear that in democratic societies individuals can pursue their own objectives within markets, subject to a wider range of constraints than just scarce resources. These constraints include lack of knowledge, moral considerations and institutional or organizational restrictions. Even such a general formulation is already far removed from the pure economy.

So this would suggest that economic subjects behave more along the lines indicated by institutional economics (see below, however). The other question that arises is, how does the economy as a whole operate as a comprehensive process, a macro-economy? As we saw, in neoclassical micro-economics this question is answered by resorting to game theory, the only way in which a society composed of self-interested individuals (and which cannot be described in terms of a logic of its own) strictly speaking can be conceptualised.

Aglietta refers to this situation as the assumption of 'the individual's desire and capacity to achieve the best possible deal under an exogenous set of constraints.' But goals do not emerge from utilitarian considerations on the part of the subject, and neither are they the result of the operation of the macro-economy, to which subjects respond in a functional manner. Schumpeter captured this by depicting the entrepreneur as an innovator, reaching beyond the society/economy as it existed at any given time, for better or for worse. Keynes on the other hand described the relations of power between the industrial managers and the financiers, the rentiers. 'Keynes shows that economic development depends on which is the

dominant force, the entrepreneur or the financier. However, which has the upper hand itself depends on the prevailing situation' (Aglietta, 1998: 45).

So whilst individualism in society gives rise to interest-based goals, Aglietta argues, the actions of the subjects do not in any way become collective goals in an unmediated way. The subjective actions and interess become entwined, positively or in conflict with each other; this is a matter of '*the nature of the social links which they are helping to change*'. In other words, it is the nature of the society in which they live which decides whether the totalisation of individual actions results in cooperation or conflict.

> Those links, however, function primarily as vehicles for the formulation and pursuit of individual interests, because the successful pursuit of these interests depends on society's acceptance or rejection of the result of the actions to which they give rise. The social fabric appears first and foremost as a problem of collective belonging, *in the form of a system or systems in which individual interests are validated by the results they produce* (Aglietta, 1998: 45-6, emphasis aded).

Note how the 'system' is conceived as the outcome of interest articulation and maintained by a perception that the system 'works for you' (or not)—leaving the ability of the subject to decide whether to continue to behave according to system rules, intact.

Now whilst the distinction with neoclassical micro-economics and Rational Choice is evident, with institutionalism the boundary line is much thinner. Under the heading 'Institutionalism as Pragmatist Minimalism', Aglietta argues that there is always a pragmatic way out of the dilemmas posed by the parallel existence of a micro-economic realm of subjects making choices, and a macro-economy operating as a system. 'the pragmatic position consists in taking note of the separation between microscopic and macroscopic phenomena… There is therefore a field of macroeconomic study that is closely linked to economic policy.' True,

> Institutional economics is critical of this minimalist approach. It acknowledges the existence of a multitude of rules, agreements, customs and norms. It studies their appearance, their effect on the elementary economic agents and their defects. Compared with the microeconomics of the rational individual restricted by scarcity, *institutional economics emphasizes a variety of relationships*. These create more or less

> extensive co-ordination systems among microeconomic players, favour certain behaviour patterns, conclude agreements and combine individual objectives into collective aims. The institutions therefore perform mediatory functions (Aglietta, 1998: 52, emphasis added).

However, institutional economics cannot solve the question why at the macro-economic level, the economy remains a functioning whole .And the problem as Aglietta sees it, is precisely that in the institutionalist approach, the emphasis is still on the subjective side of the equation, 'the perception that institutions are the products of behavioural interactions among microeconomic agents'. Not only is the list of what can be an institution endless (as we saw, every enduring habit at some point becomes encrusted as an institution). But

> The ways in which the institutions are linked, dovetailed, hierarchically organized, and so forth, to form subsystems are not dealt with systematically. This institutional approach does shed some very important light on the collective factors that condition the behaviour of individual economic players and, by extension, on the environmental changes produced by the interaction of players trying to loosen constraints. But it cannot explain the existence, coherence or incoherence of macroeconomic patterns by this method (Ibid.).

We can now establish why for Aglietta and this approach in Regulation theory, the wage relation is such a crucial element (at least in the accumulation regime that the approach has been developed for, Fordism). The problem for a materialist Regulation approach, i.e. one which unlike the Grenoble approach does not posit the idea of a system a priori, is to find the pattern of social relations which can be claimed obeys system-like regularities.

**Mediation and Class Compromise**

The key is to find the connection between the micro-level of actions by subjects, and the macro-level, the *mediation mechanisms* between the two. It is from these mediation mechanisms that the particular mode of regulation can be reconstructed. The mediation mechanisms 'establish coherence among the imbalances inherent in the capitalist system' (Aglietta, 1998: 54). They produce a cumulative effect that gives rise to *a regime of growth*, in which resides the systemic aspect. In Fordism,

*intensive accumulation*, this is the wage relation between industry and organised labour, pegged on the productivity hikes achieved by the former. In neoliberal 'post-Fordism', *flexible accumulation*, it is the class compromise between finance and the home-owning middle classes who profit from the capital gains on debt-financed assets.

These class compromises have a tendency of becoming self-reproducing and in that sense acquire their systemic characteristics—self-correcting, growing, and subject to regulation. This regulatory capacity is ensured by state intervention, but *the state is not itself the system*. Nevertheless it is obvious that without centralised money, financial, and taxation policies, as well as targeted interventions to shore up or even bail out crucial sectors in the prevailing class compromise, no mediation mechanisms will be in place to let the system function. The state therefore remains a crucial player, and in this aspect the background of the Parisian Regulation approach in the theory of state monopoly capitalism becomes evident.

Indeed, just as the adherents of the theory of state monopoly capitalism, once they moved closer to state power in France, were ill-prepared to deal with the transnationalisation strategies of capital, the Parisian Regulationists were wrong-footed by this trend. The transition from Fordist mass production/ intensive accumulation, to neoliberal flexible accumulation can be theorised in terms of a restructuring from one class compromise to another and accompanying shifts in industrial structure. Piore and Sabel's (1984) study on the resurgence of workshop-based industrial capitalism marginalised by the standardised mass-production industrial economy that was dominant in the era from 1929 to the 1970s, in this respect should also be mentioned. To the extent it is explicit on its theoretical commitments, the authors follow the Regulation approach by distinguishing between different accumulation regimes and takes wage relations as a key variable

The actual process of internationalisation does not easily fit into the schemes of the Regulationists (cf. Jessop, 1995 on regulation and *post*-Fordism). Aglietta in 1979 defined imperialism as the preponderance of one state, 'which puts it in a position to influence other states to such an extent that they adopt particular rules which secure the stability of a

multiplicity of multilateral commodity relations that guarantee the circulation of capital' (quoted in Waringo, 1998: 126). Marxist terminology apart, this would not be a bad definition of a 'regime' by the standards of Robert Keohane or Stephen Krasner. Actually as Waringo shows, the recent turn of the Parisian Regulationists to international issues has led to an explicit embrace of …Regime theory as developed in the US. To this strand of thought we turn next.

## 3. REGIME THEORY

A regime is *a set of rules, implicit or explicit, to which the actions and expectations of agents (states) are oriented* and which therefore will tend to assume the characteristics of a structure that moves on its own account rather than being constantly reproduced through conscious choices. As in all systems theories, weak or strong, the agents have as it were to become conscious of what is happening to them before they will reclaim the right of choice and, say, opt out. A regime can also be approached (and has been) from the rational choice/public choice angle. Thus in 1973 Charles Kindleberger argued, in an analysis of the Great Depression, that there always has to be one state which backs up the rules under which the international order operates. This state acts as the 'hegemon' and provides the 'public goods' that lend stability to the system. This *hegemonic stability theory* highlights the actor side of the regime; here we look at the system aspect, that is, the set of rules once it is in operation.

Scholarship (the epistemological aspect) is therefore necessary to break the spell of the automatisms involved in the operation of a regime, the need to 'open one's eyes'.

### Structural Conflict

Regime analysis is a (unusually unacknowledged) variety of systems theory (cf. the original definition of 'regime' as a system's rules, in Easton, 1965: 157).

Stephen D. KRASNER's *Structural Conflict* (1985), deals with the 1970s struggle over a New International Economic Order (NIEO) between a coalition of Third World states and the West in these terms. This is an example of the Regime approach that cautiously ventures beyond the limits of state-centric realism because the 'regimes' are interpreted as applying to the global political economy as a whole, the 'rules' by which players (states) have to abide.

Krasner distinguishes between a *market-oriented regime,*

> in which the allocation of resources is determined by the endowments and preferences of individual actors who have the right to alienate their property according to their own estimations of their own best interests

and a regime of *authoritative allocation* which involves,

> either the direct allocation of resources by political authorities, or indirect allocation by limiting... property rights (Krasner, 1985: 5; of course, 'authoritative allocation' is another leaf from Easton's work).

The NIEO was based on authoritative allocation, a global Keynesianism aimed at restricting the world market movement of capital (cf. Kohler, 1999). The systemic constraints make themselves felt as a set of connections (the regime) into which strategic choices land those who make them: say, nationalising the oil industry leads into the set of constraints that together constitute the authoritative allocation regime; whilst privatising it leads into the opposite direction, and so on. There is in other words, an objective logic which draws agents into patterns of behaviour they would not necessarily have 'chosen' at every step on the way.

Yet the regime does not in the end operate as a iron mechanism, reducing agents to mere puppets. Also, it remains firmly state-centric, grounded in realist assumptions. Krasner's approach does not open up the sovereign state itself and makes no claim about forces directing it from the systemic level either. Certainly a systemic structure of determination is offered here, but it is a structure in much the same way as when

somebody who decides to see a movie, finds the seats arranged in rows; an arrangement that is extraneous to the decision to go into the theatre.

Ultimately, in Krasner's neo-Realist Regime approach, events revolve around the constant of state security interests and the struggle for power, even if consequences may hang together systematically once agents have collaborated to constitute a regime on which actions and expectations converge. A comparable reassertion of the principle of national interest can be noted in the development of an earlier version of weak systems theory, (neo-) functionalist integration theory (for an analysis of labour regulation via international regimes, cf. Trubek et al., 2000)

**Functionalist Integration Theory and Epistemic Communities**

Integration is the form of international organisation in which sovereignty is pooled and partially transcended. The European Union is the classical case of integration, perhaps because it has been the product of a situation in which Germany, partitioned between the victors in World War II, had to find its place again in the international order.

In the context of the cold war, West Germany was allowed to gradually recover its sovereignty and economic primacy (a process consummated in 1989 with the reunification with the East); its key partners were the United States, the architect of the Atlantic bloc, and France, its opponent in three wars. Every step forward in West Germany's recovery was carefully negotiated (initially under US auspices) with France, so that Paris retained a measure of control over the uses to which German sovereignty might be put. The Coal and Steel community, Euratom, the EEC, and in the defense field (after the failed European Defence Community and West Germany's inclusion in NATO), Western European Union. In the Association policy with former colonies, the Common Agricultural Policy, the various monetary schemes culminating in Economic and Monetary Union of 1991, the same pattern can be observed. There are in fact few examples outside Western Europe where anything like this type of pooling/merging of sovereignty has ever taken place, so the claim that integration is a general feature of international political and economic development is doubtful.

Integration theory therefore lost much of its specificity once the process of European construction had been completed and its remaining problems were dealt with either by resorting to neo-realist theory or by the Regime approach.

In terms of systems theory, integration studies received an initial impetus as an outcome of the postwar planning during World War II. David Mitrany (1888-1975) conceived of integration as a process in which states were gradually deprived of the means to wage war because aspects of their sovereignty were de-territorialised and de-politicised. The process of transnational integation was an objective process, undermining the self-sufficiency of states an individuals alike (Mitrany, 1966: 27). By investing new transnational bodies to coordinate tasks in certain technical domains which did not involve the life-and-death issues associated with the war-making powers of sovereign states, Mitrany expected that a functional multiplication of such technical domains would ensue ('the logic of ramification') (1966: 82).

The weak system in this case combines a self-sustaining logic of widening and spreading integration in 'technical' domains, with states retaining the ability to agree to allow slices of their sovereign powers to be detached and made part of it. This idea was taken up by others to analyse the first steps towards integration in Europe. Ernst B. Haas (1924-2003) applied Mitrany's 'logic of ramification' to the process by which the European Coal and Steel Community of 1952 brought forth Euratom and the EEC in 1958. Haas maintained that the ECSC had created a political community at the level of the 'Six' states taking part, which could propose, discuss and adopt the proposed later structures. He took this to mean that Mitrany's 'logic' worked (he calls it himself the 'spill-over' process). In the second edition of this study, Haas had to concede though that national sovereignty had not been discarded—De Gaulle could actually interrupt the process completely. So whilst there is a systemic process with a rationality of its own, the states retain their freedom of action, as France showed by blocking the access of the UK to the EEC in 1962 (Haas, 1968: xxiv).

Haas developed his systems approach in 1964 in a study on the International Labour Organisation—a form of international organisation rather than integration in the aforementioned sense. Here he identified the operation of a system as the workings of a systemic learning process, in which actors pursue purposes but find out that the result of their intentions may be different. 'Function' now refers to this unintended effect, and is fed back into the definition of purposes in the next round. This then combines states' actions with the operation of an objective constraint in the same way as do regimes.

From a different (sociological) angle but still with elements of the same weak systems constraint in evidence, the *epistemic communities* approach. As represented by Peter Haas and others (1992), epistemic communities are networks of experts who are able to push issues which (like the technical issues detached from state sovereignty) become de-politicised because they are no longer seen as pertaining to sovereignty directly, but as belonging to a transnational or otherwise transcendent sphere of common concerns (for a sample study, Whiteneck, 1996).

In all cases discussed in this chapter, actors, whether states, interest groups, classes, or other, retain the ability to choose to enter the system (mode of regulation, regime, integration domain) and allow its objective rationality to operate, *or not*. (The same for whether an epistemic community is allowed to devote itself to an issue or not). That is why we speak of weak systems theories. This becomes quite something else once we move to the stong systems theories in the next chaper.

**Applying the Method**

In the Regulationist/Regime approach, the researcher will have to define the elements of the system and the relation of the agent to them.

The main elements of the system that will have to be identified, are

- The process of growth through differentiation and specialisation
- Regulation, and
- The overcoming of dysfunctionality

For example, in a Regulation approach project we look for the *expanding scope* of the economy subject to the principle of regulation. Say, from the national economy (France, the US), to regionally integrated economies (the EU), to the world economy. Say, growth occurs through the quest for pools of cheap labour in the context of intensive or extensive accumulation, Fordism and post-Fordism, and the mutual articulation of these two forms of capital accumulation. Of course, the terms of abstract system theory (growth through differentiation/ specialisation) at some point recede into the background.

In a Regime project, we would look for the scope of the regime. The Kyoto protocol is an example. As more states sign up, the regime begins to exercise the role of a regime in shaping expectations and dictating behaviour also for other states than the signatories.

The identification of the regulatory instance will follow the 'growth' of the system: in the Regulationist example, from the state, to the states plus the EMU institutions, to the states plus the IMF/IBRD + WTO, and so on. Always note that these act as regulators, it is not a planned economy we are talking about: they act *within* the system, in the way the central nervous system regulates the body in its development.

In the Regime approach the same regulatory instances, perhaps we should also think here of the 'epistemic communities' of experts in a given area, in the Kyoto example the Global Panel on Climate Change for instance. We come back to epistemic communities as a link between knowledge and power in the chapter on Post-Structuralist theories.

Finally, the issue of dysfunctionality would involve, in the Regulationist project, the identification of structural imbalances in the relation between productivity growth and wage growth in Fordism, trade and payment imbalances in the trend to globalisation of the capital relation, and the like. Since we are dealing with a weak systems theory, we always have to pay attention to how the imbalances *are being perceived* by the different social forces which are part of the political-economic entity we are studying: this after all is a determinant of the operation of the systemic connection.

With the Regime approach, this incidentally produces the type of (otherwise confusing) presence of rational choice theory elements in an argument: thus the 'free rider' problem of public choice/hegemonic stability theory (a state profiting from the overhead costs made by the hegemonic state for the greater good), may be a dysfunctionality in system terms.