**Conflict, Interdependence, Order**

**: An Observation for Integrating J.R. Commons’ Concept of Order and Concept of Régulation**

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**Abstract.**

This paper s' main purpose is to aim at integrating J.R. Commons’ concept of order and concept of Régulation. To attain it, we will take a few steps for this inivestigation as following. Firstly, we examine features of the régulation concept presented variously in different studies. Secondly, we specify those differences made to the theory of régulation by the differences between the concept of régulation as “institutional compromise” and that as “order”. Thirdly, we point out what is presently lacking in the theory of régulation, by examining closely the concept of “institution” by Commons. Lastly, we emphasis on the importance of the concept of “reasonable value” by Commons to correct the shortcomings of the régulation concept, which will be identified by re-examining the régulation concept from the evolutionary perspective.

As the result, we have reached the following conclusions: First, the theory of régulation should not be preoccupied with methodological holism, but adapt the “methodological collectivism.” Next, institutional changes should be discussed from the perspective of evolutionism. The engine of evolution is the diversity of willingness of individuals. This diversity brings about stratification of individual willingness. In turn, the conflict and interdependence between them, and the formation and development of their order bring about evolution. Such a perspective from which to observe “the exercise of willingness and institutional changes due to it” is essential for integrating “economic régulation” which analyzes a historical aspect of the macro-economic structure, and “social régulation” which analyzes the social and the political simultaneously in terms of institution. Lastly, the theory of régulation should be liberated from the illusion of value neutrality.

***Keywords***: Methodological collectivism, willingness, institutional changes, reasonable value, mode of régulation as Order and institutional compromise.

**Issues to be Addressed**

The “mode of régulation” is naturally the most unique and important concept in the theory of régulation. It does not mean mere regulation. To be more exact, it means the ensemble of institutions that manifest themselves in some form of “unexpected discovery” [ Lipietz, 1986.] in the economic society and “régulate” the economic society.

The mode of régulation appeared first as an ensemble of structural forms régulating the macro-economy [ Aglietta, 1976.], was next defined, in the analysis of the Fordist regime of accumulation, as institutional forms “guiding and directing the regime of accumulation” and re-defined as “an ensemble of institutional compromises” [ Boyer et Saillard, 1995.], which is what the mode of régulation is considered to be about today. The concept of institutional compromise has recently been developed and applied to “compromise in corporate governance” [ Bodet et Lamarche, 2012]. It has thus become important to study “institutional compromise” on a meso-level, not only on a macro-level.

Actually, however, the concept of régulation as it is conceived above has been criticized or corrected variously from different viewpoints, from inside the régulation school and out. Among those critical or corrective perspectives are the concept of “régulation of the political and the economical” [ Théret, 1992.], which readily incorporates the political; the concept of “social régulation” [ Billaudot, 2000.]; and the study which tracks down the concept of régulation in *Institutional Economics* by Commons [ Brazzoli, 1999; Théret et Dutraive, 2013; Nakahara, 2013. ].

These perspectives on régulation share a methodology of defining as “order” the way the social economy is constituted by the mode of régulation. They appear to be similar in that they define as “institutional compromise” or “order” the way of social economy deriving from “the mode of régulation,” but actually they have quite large differences when closely observed. This paper focuses on these differences in the perspectives, and explores the possibility of renewing the very concept of régulation.

We pay attention to the concept of “institution” by J.R. Commons, one of the founders of the American Institutional School. In the school of régulation, which is said to have its origin in structuralist Marxism and Keynesianism, there are few, if any, theorists who refer to American institutional schools at all. However, we recognize more continuity than gap between the theory of régulation and the institutional economics by Commons.

To exemplify continuity there, this paper will clarify the following: first, those features of the régulation concept presented variously in different studies; second, those differences made to the theory of régulation by the differences between the concept of régulation as “institutional compromise” and that as “order”; third, what is presently lacking in the theory of régulation, by examining closely the concept of “institution” by Commons; lastly, the importance of the concept of “reasonable value” by Commons to correct the shortcomings of the régulation concept, which will be identified by re-examining the régulation concept from the evolutionary perspective.

**1. Diversion and Diversification of “Régulation” Concept**

In its developmental process, which began with the pioneering study by Aglietta [1976], the theory of régulation has been fractionalized as well as refined. Today, the theory of régulation can be classified mainly into three study groups according to Lordon [2008] (see Figure 1). Two of the three groups will be taken up here: one focuses on “economic régulation and the other on “social régulation.” They both depend on the concept of “régulation”, but differ greatly in their analytical method and therefore result in different theoretical conclusions. The leading cause of their differences might well be that the methodological definition is different between their conceptual devices in methodology, though they both depend on the concept of régulation.

(1) Features of Methodology Hypothesized in “Regime” Analysis

Centered on “Institutional Compromise”

The regime analysis is a field where the theory of régulation is often applied. It is necessary, therefore, to take up the methodology on which to base the regime analysis. The regime analysis focus on “the economical,” unlike that of régulation for the social.

A typical example of this analysis is given by Boyer. First, he regards the institutional structure inside the economic system as a given for the most part. Next, he examines what kind of structurization effect the institutional arrangement has in the macro-economy. Lastly, after identifying that structurization effect, and representing the macro-economic cycle in a given period by a mathematical model, he analyzes in what form of “causal link of economic/institutional variables” the cyclical/institutional configuration of the macro-economy manifests itself. “The Fordism-type regime of accumulation” and the “finance-led growth of regime” are among the defining concepts therein [ Boyer, 1995, 2012. ].

We consider the institutional concept used in such regime of accumulation analysis to be an “institutional converging/diverging point in the macro-economic cycle” which determines and directs the “causal link of variables” inside the regime[[1]](#footnote-1). The macro-economic cycle, which is structurized by institutional compromise, goes through a stable phase for some time, and accumulates changes over historical time. Any institutional change (anomaly) at the conversing point will trigger a change in the cycle itself, sometimes bringing a “minor crisis”, and at other times a “major crisis.” In retrospective, institutional compromise in institutional forms gradually changes in the macro-economic cycle, and the mode of régulation, as a form of institutional compromise, eventually changes.

We should go into more details in terms of “change.” According to the methodology based on the above-mentioned perspective of institution, the social economic system is assumed to change in the following forms: The entire social-economic / institutional configuration is arranged first with “structures given from the past.” It means that the ensemble of “five institutional forms” is exactly the configuration of social relationships forged in historical / spatial dimensions. And it is predetermined what kind of system of principle each of the five institutional forms is subject to (e.g. “the introduction of Taylorism” in the wage labor relations). This institutional arrangement is “embedded” in the macro-economic cycle, and, according to the arrangement, a pattern of the macro-economy occurs, which depends definitively on the configuration of the five institutional forms which “guide and direct” the cycle. Theoretically, however, this pattern of the macro-economy may change accumulatively in its own cyclical process, as it always goes through the configuration of conflicting interests between various actors that occur in the converging points of the cycle (institutions), namely, “changes in compromise in institutional forms.”

It is possible, therefore, to draw various forms of the macro-economy from those theoretical possibilities. For example, it would be possible to put forward a pattern of the macro-economy in which a change in a given institutional form occurs independently; a pattern in which wage labor relations initiate accumulative changes in other institutional forms; or a pattern in which an institutional form “once dominant” in a historical/spatial dimension declines and the so-called “institutional hierarchy” changes. The regime analysis has been very effective in categorizing and analyzing these patterns of the macro-economy. Thus, institutional compromise, which changes accumulatively, influences on the macro-economic performance, and changes in the performance in turn transform institutional compromise.

The greatest contribution brought about by that “regime analysis” could be found in the “Fordism-type”regime of accumulation. Furthermore, it resulted in the “diversity analysis of capitalism,” analysis of regime diversity within a nation state, through which to weigh up differences in the institutional configuration after the benchmark for a given institution is set to quantify its changes. [ Amable, 2003. ].

(2) Features of Methodology Hypothesized in Social Régulation

Based on Concept “Intermediary Institution”

There is another approach in which to identify the causal links brought about by institutions, not only in terms of “economic régulation,” but also in the social, legal and cultural domains. It is the theory of “régulation of the social” by Aglietta et Olréan (1998), and Théret (1992, 1998), as shown in Fig. 1. This paper will take up the argument by Théret.

Théret starts by placing the social economy in “social totality” on a meta-level. This social totality is called “the social,” which consists of “the political” and “the economical”. These constitute “archetypal structures” of the social economic system abstracted from social realities. These two structures are always given a form of “order” by “primordial institutions of money, law and discourse.” The order in this sense consists of “functional régulation effects” which produce causal links. With such primordial institutions symbolically mediating the two forms of order, the social order as social totality could become the social. At same time, this order consists of “non-functional régulation effects” which directly connect elements of different orders. In short, this “institution as intermediary” has at once the functional régulation function of giving a “form of order” inside the economical and the political, and the non-functional “social régulation” function of connecting these heterogeneous orders, by way of symbolical intermediation of primordial institutions.

This methodology will be explored a little more specifically. “Money” is one of the primordial institutions most extensively analyzed by the theory of régulation for the social so far [Théret, 1998.][[2]](#footnote-2) .

According to Théret, money cannot be regarded just as a tool to control the economic order quantitatively from outside. In addition to its instrumentalist function, money has the function of “politically and economically symbolizing and transferring” the credit-debt relationships structurized among actors.

For example, material goods can represented by physically and quantitatively recognizable monetary (economic) values. However, goods circulated in economic reproduction are eventually changed into capital, which is possible to recognize as monetary (economic) value, but impossible to recognize as physical entity. In the phase of economic reproduction, capital could not be re-incorporated in the entire reproductive cycle without the intervention of money, a common symbolic intermediary which represents capital, which is anything but physical, in the social totality. And capital, monetarily symbolized, transforms the economic credit-debt relationships into those between the haves (creditors) and the have-nots (debtors), namely politically stratified and represented relationships, in the structural linkage over historical time. Meanwhile, both economic and political relationships are composed with the institutional intermediary of “law” involved. The credit-debt relationships, which start as economic relationships, at length are transformed into political relationships with the intermediary of the meta-institution of money (and law).

In this process of transformation, money is a necessary intermediary to settle economically and politically the public and private “credit-debt relationships” brought about by the social totality.

In view of this, “modern money is both a means to pay private debts, particularly in the form of wage – private debts owed by capitalists to workers – and a means to pay debts owed by society to all of its citizens. Money is thus defined in the twofold – intermediary and non-intermediary – relationships. The former is the relationship in which to refer to various functions of money in the economic order whose cyclical reproduction is guaranteed by money. The latter is the alliance between the political and the economical … “ (ibid, p264).

In short, money has the régulation function of social consistency, which creates “alliance” (some form of structurization) between the political and the economical, while ensuring that the order of the economical is reproduced within it. In other words, “the régulatory function of money” guarantees settlement of debts, and “the alliance function of money” (another term for the non-functional régulation effect introduced in the preceding) makes possible mutual transfer of debts between the economical and the political while defining the boundary of each order.

As shown in the above, there are a great number of different economic analyses based on “régulation.” We will explore what causes those differences.

**2. Is the Mode of régulation “Institutional Compromise” or “Order”?**

What has caused the theory of régulation to diverge and diversify into various sub-schools which are quite different in theoretical composition though based on the same “régulation” concept? The first, most obvious cause is that they have different “fields of analysis” in their respective methodologies. For example, the analysis of “economic régulation” keeps to the methodological assumption that the macro-economic cycle is supported by institutions which occur in various social, economic domains. The analysis of “social régulation” is concerned with analyzing the political *registre* and the economic *registre* at the same time in terms of institution, assuming the structural pre-existence of social totality. In the epistemology in which the social system is identified as the whole and the parts, those differences might be considered mutually complementary. However, we assume that both concepts (social régulation and economic regulation) have a greater difference in the way of identifying the régulation concept, than in epistemology, and that, besides their differences, they both have some methodological obstructions to “enriching” the régulation concept, as shown in the following.

(1) Difference in “Institutional” Concept on Ontological Level

As we have seen in the above, the essences of the theory of régulation are “institutional compromise as ensemble of institutional forms” and “social order” which consists of “intermediary institutions.” Undoubtedly these two have contributed to the growth of the theory of régulation based on the common understanding that “institutions régulate the economy.” In reality, however, they have several large differences in the methodological status of “regulation.”

In the theory of régulation which centers on “institutional compromise,” institution is defined as guiding and directing “accumulative regime” on an ontological level. We rephrase it as “institutional converging and diverging points in the macro-economic cycle.” This is a quite loose definition, but because of its looseness, it is possible to represent, abstractly but fairly realistically, institutions to which this definition specifically applies, such as wage labor relations, various forms of money, state intervention and competition, international relations. “Institutional forms” do not mean institutions on a meta-level, but represent, semi-specifically, “institution-based relationships between actors” in the middle of existing, specific institutions and meta-level institutions.

As long as the above understanding holds, “institutional compromise” which consists of institutional forms could be rephrased as “a certain set of rules” which result, over historical time, from “functional effects from relationships” between actors or from “the configurations of causal links of those relationships”; and as “a reference framework” of the society. Such rules naturally have historic and spatial plasticity. However, “primordial institution” on a meta-level is not incorporated clearly in the concept, though it is implicitly assumed. Rather, according to this line of thought, whatever could be regarded as real rule or reference framework based on the ontological prescription could be incorporated into a given theoretical framework as “institutional compromise.” This would be one major reason why corporate governance has recently been an object of analysis as a kind of “institutional compromise.”

The mode of régulation as it is defined in this paper “results from the régulation process” created by conflict, interdependence and compromise between actors in historical and spatial dimensions. To put it simply, it is the ensemble of rules or reference framework of a given society. To be more exact, the mode of régulation “intervenes” in the macro-economic structure in principle, just representing “results,” and not “the whole régulation process.” In other words, the mode of régulation is nothing other than “a certain state of equilibrium” reached by various causal links via institutions, because this analysis deals with the macro-economy, assuming that state to be given. It is possible to determine that the effect of institution on the macro-economy is strong, or weak, dominant or not dominant, probably because of such a “retrospective understanding of institution”

In the “social régulation” theory, on the other hand, institution is broadly categorized in two dimensions on a meta-level. According to the theory, institution refers to “primordial institution” respectively in the economic and social dimensions of the social *registre*, and to “intermediary institution” which transverses different social *registres*, in the *registre*-traversing dimension. Here, the mode of régulation is a thing which represents the modalité of “each registre being régulated structurally for a certain period under the social totality.” And “order” as it is defined here refers to a meta-structure which composes relationships according to a certain principle, and to “the totality of a process.” Almost naturally, “compromise,” which implies involvement of psychological elements of actors, is inappropriate for representing a meta-structure. This is because “structure” is something principled and universal according to the structuralism by Lévi-Strauss and Althusser.

The mode of régulation as the ensemble of “institutional compromise” mentioned above is identified as “haphazard discoveries in history,” or “the totality of rules” discovered by accident from conflicts of interests and compromise. On the other hand, the social mode of régulation is identified as a thing which represents “order (= state of the whole structure of the society given in principle by the social functions of institution).” Based on these identifications, the mode of régulation is neither prospective nor retrospective, but just a thing which represents the “topology” of the existing social order. The mode becomes somewhat retrospective only at more practical levels.

To put it more in detail, “primordial institution” performs a so-called “internal coordination” function of maintaining a certain level of order both in the economical and the political. The coordination function by institution inside each order is fundamental and unchangeable in itself, in spite of temporal and spatial differences. And, in terms of “mediation of order by institution,” that intermediary function is universal and fundamental. In this theory, institution is considered changeable at more specific levels, namely, in various regime analyses[[3]](#footnote-3).

It could be deduced, therefore, from the theory by Théret that the mode of régulation as the ensemble of “institutional compromise” is what results from “non-functional régulation effects,” and not the topology of régulation itself. Rather, it is important in the “social régulation” theory to ontologically identify “primordial institutions” which régulate the respective orders and to topologically explore the social that is structurized via institution, instead of being limited to phenomenologically comprehending more specific “institutional configuration.”

It might be considered a little too wild stretch, but it could be said that the analysis of “economic régulation” has incorporated institution into a macro-economic cycle model inductively, and formulated a mathematical model on which to quantitatively analyze the “functional” role played by institution in the macro-economic cycle. It is not by accident that institution is identified as “rule” in this model, but for the sake of affinity with mathematical modelling. Such an approach is definitely very effective in analyzing the status quo.

The analysis of “social régulation,” on the other hand, is strictly limited to deductive reasoning. Such a limitation derives from its orientation toward identifying “institution” as “archetypal form” of the social economic system. A given social economy performs stably for a certain period of time, not because the rules of the game are stable in the economic system, but because there exists something that brings *registre*-traversing order, which is the mode of régulation. In this line of thinking, it is not possible to reduce institution to mere rule. Thus, there appeared the concepts of “primordial institution and intermediary institution.” These definitions are “ambiguous” as Aglietta et Olréan pointed out [1998], because the institution as they define it is at once functional and non-functional. In this approach, it is considered necessary for the theory of régulation, as institutional economics, to construct “its own concept of institution” in order to compete against the analysis by neoclassical economics.

(2) “Actor,” “Evolution,” “Value” – Other Methodological Issues in Theory of régulation

There are other issues to be dealt with in the theory of régulation. Frequent criticisms levelled against the theory of régulation have been that it does not theorize microscopic factors, institutional changes, or values. It might be easy to evade these criticisms, saying they are trivial and extraneous. To reflect sincerely on them, however, would almost surely help evolve the theory of régulation further.

Those criticisms could be categorized into the following issues: (a) how the individual should be placed in the methodological holism; (b) how the issue of historical time, or institutional evolution, should be grasped; (c) whether “the issue of value[[4]](#footnote-4)” can be re-defined in the dimension of social economic “principle.” First, we will note how these issues could be treated in the above-mentioned two approaches.

For (a), the economic régulation approach has “hol-individualism.” It holds that the “institutional form” is composed of active or passive conflicts between actors (corporations, and states). As far as it goes, the act of actors is reflected in institutional forms. It is emphasized, however, the social consequences as a whole and the acts of actors are “guided bindingly by institution” as soon as institution is established [Boyer, 1996]. This approach thus adopts a two-layered methodology: methodological individualism during the formation of institution; and methodological holism after the formation of institution. In the approach of the social régulation, on the other hand, actors are stratified according to the hierarchy of values given by the social totality, those values binding two actors that cooperate or conflict in the respective dimensions of values[[5]](#footnote-5). So, the will of actors itself is not reflected in the social totality in the strict sense of the word. This is only natural, given that the analysis is based on the methodological holism.

As for (b), we should ask what triggers institutional change. The “economic régulation” approach assumes that institutional forms change themselves with the accumulative changes in macro-economic performance, according to hol-individualism mentioned above. In this approach, however, the will of actors is just implicitly assumed. As it is nothing more than a comparative analysis of institutions at different times, this approach cannot consistently analyze both the state of actors being bound by changes in macro-economic conditions and the state of actors, in conflict and compromise, trying to escape being bound, because these states are analyzed in different timeframes. As already mentioned, this approach does not presume to use the same principle in explaining the analysis of the formative process of stable institutional compromise and the analysis of the macro-economic cycle based on that institutional compromise. They need different operations of analysing the status quo.

On the other hand, the social régulation approach explains institutional change from the “change in topology” of the long-term mode of régulation. The historical evolution of capitalism, for example, will be explained on the following assumption: When the structures of economic order and political order (and social order that combines them) change from one topology to another, institutions change in practice. More specifically, there is an enormous difference in the mode of régulation which régulates the order between when the whole society is régulated around the political order – historically specific case – and when régulated around the economic order. For example, when the money system changes from the metallic money system to the credit money system, the center in the topology of régulation functions changes from the economic dimension to the political dimension, though the intermediary function of money (system) is the same in principle. With such a change in topology, individual and specific institutions are organized to function. In this approach, however, it is impossible to explain what triggers long-term changes in the mode of régulation, though it may be possible to explain the principle of those changes.

Lastly, as for (c), régulation schools are ready to admit that value judgement outside the economic domain is indispensable in formulating new accumulative regimes and mode of régulations, as shown in “the antholopologist growth regime” by Boyer,“ “political and economic equilibrium” by Amable, and “institutions of money, law, and discourses as intermediary” by Théret. With the structuralist methodology (subordination of actors to structure) at the center, they are all aware, if not explicit about it, that the “will” of actors intervenes in the mode of institutional composition. What is important is what values compose the will of actors and how the intervention in the will is understood. Unfortunately, régulation schools strictly restrain themselves from being explicit about it.

We should consider all these issues in theorizing on the “formation, development and decline of the mode of régulation:” epistemology of the social economic system which does not depend either on methodological individualism or holism; theoretical composition which makes it possible to synchronically analyze the formation process of institution and its process of stabilizing the macro-economic cycle; and values which induce conflict and compromise between actors. These issues should be dealt with in the theory of régulation. Unless they are solved, the theory of régulation cannot exceed neoclassical economics and become “institutional economics.” We consider a perspective of evolutionism is necessary for this; it is especially necessary to introduce the concept of historical time compatibly into the theory of régulation.

In the following chapters, we will refer to “Economics of Institution” by J.R. Commons [ Commons, 1934 ] to solve those issues.

**3. Features of “Institutional Economics” by Commons:**

**Common Features with Theory of régulation**

Baslé [1995] refers to John Rogers Commons, as well as Veblen and Mitchell, when he discusses how the American régulation school influenced the régulation school.　　The concept of *transaction* by Commons is described as transcending atomism and methodological individualism, and its methodology is described as “the collective” necessary in terms of holism and institutionalism. In addition, Baslé points out that Commons pioneered studies on regulations, norms, and wage labor relations for the French institution school and the convention school, and analyses of economic relationships in terms of credit-debt via money (ibid, p.36)[[6]](#footnote-6). There are already some analyses of Commons’ contribution to institutional economics based on the theory of régulation [ Théret,2001; Théret et Dutraive, 2013；Nakahara, 2013 ][[7]](#footnote-7). The following chapters will draw an overall perspective on Commons’ theory to clarify its similarities to and differences from the theory of régulation.

(1) Study of Economic History of Theory for Anatomizing Economic Theories

*Institutional Economics* by Commons begins by examining the theories by great economists in the past. Seven of the whole 11 chapters are devoted to careful and in-depth analyses of theories by classical economists from John Locke to Malthus. Certainly, the other chapters are the essence of the theory by Commons; Chapter 8 deals with “efficiency and scarcity,” Chapter 9 with “futurity;” Chapter 10 with “reasonable value” and Chapter 11 with “communism, fascism, and capitalism.” Due to its table of contents, his work is often regarded as “history of analyses of economic theories,” but that organization merely reflects the necessity he had “of doing so.”

It is that Commons thought it necessary to categorically sort out economists in the past “from the viewpoint of his institutional economics” in order to clarify “where conventional economic theories had gone wrong.” It could thus be said, as he said in the preface, that the main purpose of “Institutional Economics” was not to construct a new “institutional economics” fundamentally different from conventional economics[[8]](#footnote-8) but to clearly sort out, from the various devices discovered and theorized by the past great economists, which were right and which were wrong, from his viewpoint of institutional economics, and then to categorize which devices to inherit and develop further with institution as the key concept. It was “collective action” that should be the core concept then.

There are many arguments for this, similar points are made in different chapters again and again and will not be traced one by one in this paper. The main points are briefly described as follows:

(2) Criticism of Analogy with Physics as Economic Method

Commons repeatedly criticizes the way economists have too readily introduced the mainstream scientific view of the times. As is well known, economists, since John Locke, have tended to draw an analogy between economics and physics. This way of analogy still remains one of the major economic methodologies today. Recently, micro-economists have been working to understand how the brain makes decisions by grasping the communication functions in the human brain through physical measurement and experiment on the brain. This is one of the typical examples of “analyzing the economy through analogy with physics.”

As long as this methodology is followed, human beings, the leading economic actors, are treated like atoms and their independence is excluded from analyses after all. In other words, the will of human beings is reduced to objects, namely electric signals. Underlying this is the fact that economics began by analyzing “the relationships between things and humans” but has come to be focused on (reduced to) “the relationships only between things” or only on things which represent the relationships between human acts. Different human beings have quite different wills, which are distinct according to their respective positions in their society, but now “these wills” themselves are ignored, excluded or put away in the background. However, the real social economy is being weaved and developed by these various human wills.

(3) Mathematics as Economic Tool: Its Assumed Merits and Demerits

In connection with analogy in economics with physics, Commons points out, variously in his work, the merits and demerits of introducing mathematical ideas and methods into economics. As for the merits, he refers to the development of statistical methods and possibilities of applying them in economics.

It is a well-known fact that the mathematical approach which was developing then contributed to the construction of the “macro-economy” concept, which was to be clarified later by　Keynes. Commons paid attention to the importance of grasping the macro-economy as early, as shown by the fact that he noted the changes in commodity prices and referred to it as a value measure of change in the entire economy in Chapter 2 “Method”[[9]](#footnote-9). Besides, he carefully analyzed financial transactions in Chapter 9 “Futurity,” because he thought it necessary to turn to the macro-economy and to régulate the whole financial economy (“banker capitalism” as it is termed by Commons), which was already full-fledged in his times, according to the reasonable value[[10]](#footnote-10).

We also need to note its demerits. It is true that the method of expressing “economic relations” as functions, which began with Marshall and was gradually developing then, was important to Commons, who recognized the great contribution of “engineer economics” (analysis of continuous input/output changes in goods production), namely, measurement and régulation of the economy according to “the value of efficiency.” However, the input/output relationship is just labor management, or political power relationship, after the change of labor ownership, since the transfer of private ownership is nothing less than “transaction” according to Commons. So, it should not be reduced directly to the “expenditure-income” relationship in terms of money. This comes from the mistake among classical economists of confusing “wealth” (value in use) and “asset” (value in exchange).

Commons was thus cautious about constructing a theory based only on relations deduced from a mathematical viewpoint, and applying it to describe the entire economy. The causal links between economic relations are extremely complicated and hierarchical. So, it is impossible to measure any economic relation only in terms of efficiency or regard it as the only reasonable value. In short, he considered it impossible to deal with the economy based only on one value if individual “wills” and the institutional evolution induced by them were to be studied, and that many other values than efficiency should influence “wills.” Those values are based on five principles of “scarcity”, “futurity”, “custom”, “sovereignty” as well as efficiency.

(4) “Economics of Willingness” and Institution

Commons went on to assume that economics would transform itself completely if the element of “willingness” was not excluded, but included in economic theory. Still, Commons was not the only economist who had such an assumption then. “Willingness” was naturally treated as one major pillar of the economic studies in those days as there had been a greater tendency to analyze economic phenomena based on psychology since the end of the 19th century[[11]](#footnote-11).

In Chapter 2 “Method,” for example, Commons stated that “equilibrium,” which goes unchallenged in economics, should not be interpreted as a condition which resulted “automatically/mechanically” from interdependent relationships between homogeneous human beings, “homogeneous” in terms of atoms, but as “a transient order which results from negotiations interdependently and discordantly” between actors, which begins with economic acts performed between human beings who have various wills (but can never be reduced to the choice of the individual). What is important in economics, therefore, is to regard an equilibrium as just part of the process, and theorize the process of conflicts, interdependence, and compromise (institution or working rule which results from conflict and interdependence) of human willingness which is structurized inside the order[[12]](#footnote-12).

Commons called this willingness “institutionalized mind” which has been passed down via institution, internalized into the modern human beings, and acts with high expectations for the future. Incidentally, it is said that Commons thought of publishing his “Institutional Economics” under the title of “Volitional Economics.”

(5) Transaction and “Collective Action” as Ultimate Unit in Economic Analysis

The next step for theoretical analysis on the composition of order (or process) via various wills should be to define the unit of human economic activity. As mentioned above, Commons proposed “collective action” for the unit. Economic theories based on atomism/mechanism respects the freedom and independence of the individual. Needless to say, this comes from the methodological individualism, which constitutes the essence of modern economics. For reference, Commons takes up Adam Smith as its representative example in Chapter 4 *Institutional Economics*. In fact, Smith attacked “mercantilism,” which prevents the market from functioning smoothly, a product of collective action by stakeholders.

This may sound strange to people today, who are accustomed to the modern economics that emphasizes the smooth functioning of the market. Commons’ point is that human beings cannot engage economic activities completely independently and freely – that is, he claims that “methodological individualism” can hold only in theory, but not in practice. Commons cites various cases to expound that the minimum unit of economic activity should be “the collective,” historically and theoretically, and that the economic act concerned is not “transaction” of goods between individuals, but “transaction” inside a group of four or more[[13]](#footnote-13). The unit for this activity is the going concern.

The going concern is a business concern when it is a group in the economic dimension; a going plant when it is closer to a site of production (e.g. a group in a factory); and a political concern when it is closer to the political dimension. It is clear that, not being microscopic or macroscopic in the sense of the words, this economic unit not only exists in infinite numbers ubiquitously in one society but also one individual is involved simultaneously in a number of concerns of different kinds. “Institution” is what always mediates and control those concerns, and working rule is what directs and controls the functional relations between transactions inside a concern. There are as various causal links between going concerns and within each of them as there are going concerns, and those links evolve with the passage of time. Therefore, to establish their theory, institutional economists have to closely investigate an infinite number of existing causal links, and need the perspective of pragmatism, not reductionism which is usually applied in economics. It could be said that, with such a social-scientific methodology, Commons suggests “methodological collectivism as an answer to the question of whether “methodological holism” or “methodological individualism” should be applied in economics.

(6) “Institution” as Source of Diversity of Social Economic System

There are expected to be challenges, however, to the social-scientific methodology by Commons; for example, “The issue of what is the minimum unit of economic activity may be open to debate, but the institutional function of guiding and directing the activities of people is already incorporated theoretically in neo-classical economics, not only in modern institutional economics.”

Certainly, it is no longer possible to assert the uniqueness of institutional economics just by declaring “institution is important” or emphasizing the function of directing the decision making of economic actors via institution. However, the following counter arguments could be applied.

First, schools of modern “institutional economics” focus exclusively on the equilibrium effect of institution on the economic system, while Commons (as well as Veblen and other American institutional economists) focuses on the historical evolution and changes of the entire society as an organism. In other words, the former concentrate their efforts on describing the theoretical/structural causal links in the structural aspect of the social economic system as social totality. Meanwhile, the latter concentrate their efforts on describing theoretically the historical changes and evolution of the structure in itself.

Second, for the former, institution is just a “conversing/diverging point” embedded in the respective economic cycles, and its condition is assumed to determine how the economic cycle goes. The latter (Commons), however, assumes that the social totality of innumerable structurally-determined and stratified going concerns is complexly connected via institution, goes through partial conflict and interdependence, and end up in a certain order; and that a certain social economic performance resulting from “transactions,” or collective actions by going concerns can in turn mediates changes of institution. To put it another way, innumerable going concerns exist and act in the entire system of institution, and keep changing as organisms.

This is not a self-complacent understanding of Commons on our side. In fact, it could be found in the definition of “institution” by Commons himself in Chapter 2 “Method” of “Institutional Economics.” His definition is “institution is collective action which restrains, liberates and expands the action of individuals.”[[14]](#footnote-14)

His definition could be interpreted variously, but we understand it as follows. Assuming that institution is a product of the past collective actions, he points out that the functional manifestations of an institution are determined by differences of going concerns in type, social hierarchy, history and space. So, an institution may control the activities of individuals in collective action, or liberate and expand them, according to those differences. This means that an institution has “structural and functional multiplicity.” That multiplicity depends not only on the structural element of influencing collective action, but also on how individuals with their willingness and their going concerns define the existing institution. This is the reason Commons starts with “Idea” by John Locke in Chapter 2 and dwells on “meaning of idea.” In any case, what guides the activities of those different concerns into a certain order, and entirely régulates the social economy for the time being, though such activities are multi-dimensional? Commons’ answer to this question is “reasonable value.”

(7) Complexity of Reasonable Value:

Cause of Social Régulation, Regulator, and Reasonable Value as Measure

It is a matter of course that the history of economic theory is the history of “axiology.” With this in mind, Commons deals squarely with values in “Institutional Economics,” as it is impossible to separate the issue of values from the issue of “régulating” the social economy after all. Roughly speaking, for example, the subject of social régulation in neo-classical economics is the “market,” where scarcity works as the principle of régulation, and the subjective value of pleasure, which is measured by utility, is the ultimate cause. In neo-classical economics, “value” expressed in terms of money is just a veil. For Marxists, on the other hand, the fundamental cause of value is labor, and the amount of labor power should be used as a yardstick for measuring the social totality and as the unit of social régulation. Besides, “price” expressed in terms of money tends to be regarded as symbolic rather than essential.

Commons pragmatically remolds this axiology into another thing through “Institutional Economics.” The thing is “reasonable value,” the ensemble of values composed comprehensively and complexly based on the above-mentioned five principles: “scarcity,” “efficiency,” “futurity,” “custom,” and “sovereignty.”

Commons assumes that these five principles are always acting simultaneously either in the social totality and the respective going concerns. Which principle acts chiefly depends on the structure of the going concern and the negotiation in transactions. “Reasonable value” manifests itself as a composite of those values, namely, “a transient form of compromise between values.”

In Chapter 4, for example, Commons states “reasonable value means reasonable scarcity value in terms of money[[15]](#footnote-15).” What is clear from this is not only that reasonable value is defined by scarcity value, but also that the measure is money only.

It is true, according to Commons, that “value” was conventionally studied based on the principles of “scarcity” and “efficiency” in economics. In reality, however, the value of “scarcity” is not a value produced “mechanically and naturally” from quantitative/qualitative differences between supply and demand. Rather, it is a value which is “proprietary,“ or “determined artificially” according to the degree of ownership of private goods, the form of exercise of the ownership, and the political/economic power relations between owners in society. Commons calls this the value of “proprietary scarcity.” In addition, he assumes that the principle of “efficiency” plays an important role in the relations between the input of “labor” and its resultant output based on the principle of proprietary scarcity[[16]](#footnote-16). He considers that the régulation of this input/output relations depend on the way of managerial transactions, that is, the form of political/economic hierarchy and the form of negotiation inside the going concern and out.

Going concerns consider not only the above principles but also hold some expectations for the future when investing and consuming. In other words, going concerns act in view of the composition of values to be brought by a given transaction, namely value of futurity, in historical time. Of course, they have to consider inherited habits, customs, and conventions[[17]](#footnote-17) when carrying on transactions, and the political hierarchy[[18]](#footnote-18) in which their own sovereignty is respectively placed in the social totality. Eventually, values which come from the above principles, influencing each other complicatedly, end up integrated into reasonable value.

(8) Money as “Institution” Representing and Régulating Reasonable Value

Under the above hypothesis, excessive pain or pleasure of labor is no longer the cause, regulator or measure of reasonable value. They are inappropriate for measuring and régulating the reasonable value as Commons defines it. Money, however, is appropriate for “measuring” the composition of values as long as the above five principles can apply to money. According to this line of thinking, it would be possible to assume that the value changes of money represent the changes of “reasonable value” in the social totality, in a way. It should be noted that this understanding runs directly counter to the conclusion reached by traditional economics.

“Institutional Economics,” however, does not clearly state this. In Chapter 2, Commons states that economics has been divided between monetary theories and non-monetary theories since the advent of mercantilism[[19]](#footnote-19). As is well known, the latter theories reduce money into nothing more than a medium of exchange, neutral and transparent. Commons argues, however, monetary theories are important for institutional economics, and money is one “institution.” If institution is “collective activity to restrain, liberate, and expand individual human beings,” then money could be called an “institution,” for money controls transactions of the individual, and liberate or expand the individual according to the pattern of its ownership. Unfortunately, this is just one of the many interpretations at present, and contemporary institutional economists need to theorize on this further[[20]](#footnote-20).

How is the standard of reasonable value fixed in terms of money, then? According to Commons, it is decided by “negotiational psychology” in transactions inside and between going concerns, and ultimately by the Supreme Court’s decisions. Commons himself was very committed to the labor union movement, working hard to establish a legal and control system for deciding the reasonable levels of wages and prices of goods, and to régulate the macro-economy through financial policy. This is probably because he wanted to prove that the standard of “reasonable value” in terms of money was decided through negotiation, and “socially régulated” by controlling changes in money which represented the value.

To review his proposition in connection with modern institutional economics, we would find that Commons’ idea has been used extensively in directing the ways of reasonable income distribution and financial policy. So, it could be said that Commons’ theory has a lot in common with modern institutional economics.

**4. Toward Integration of Commons’ Concept of Order and Concept of Régulation**

The preceding sections gave a sketch of the features of Commons’ “Institutional Economics,” clarifying that his theory has a lot of theoretical affinity with régulation. This is because (1) he rejects methodological individualism, but rather tends toward structural methodological holism; (2) he sets the temporal axis of “futurity” in his own theory to deal with institutional evolution; (3) he emphasizes the willingness of the individual and bases his theory on the matter of values underlying the willingness. The following will briefly describe those reasons.

(1) From Hol-individualism or Structuralism to Methodological Collectivism

Commons emphasizes the issue of actor, but doesn’t reduce it to the individual in itself. As mentioned before, he defines the actor as “institutionalized mind.” Indeed, it is a product of institutional structures inherited from the past, but it has “willingness” at the present time. So, it is an organism which changes with time, from the past to the present and to the future. Besides, the corporation is an economic organism (going concern) that consists of grouped individuals. For that matter, society is an ensemble of such organisms. The willingness of the respective organisms vary greatly in their motive and expression according to the institutional structure which the actors have inherited (the living environment). Therefore, institutional changes are triggered by the “variety of willingness.”

This methodology of Commons’ is very convenient for integrating the two main methodologies of the theory of régulation: “hol-individualism” and “holism.” In the former methodology, the existing epistemology of micro/macro-perspectives lingers, and temporal axes for analysis remain separate; in the latter methodology, it is difficult to explain how institutional changes are triggered. However, Commons deals with this issue by saying that individuals have a variety of willingness, which is restrained, liberated and expanded by the principle of the group (relational structure). According to Commons, therefore, first, “institutional compromise” as it is defined in the theory of régulation is the function of principle (working rule) in collective action as it is defined by Commons.” Second, social order (the social) in the theory of régulation is the structure of ensemble (collective action produced via “institution”) of various, structurally-stratified going concerns defined by Commons.[[21]](#footnote-21) Consequently, it is possible for the theory of régulation to incorporate the matter of individual willingness theoretically, and to discuss the matter of institutional changes consistently by following Commons’ collective methodology.

(2) Incorporation of “Futurity” Value as Axis of Historical Time

As shown above, the theory of régulation assumes long-term institutional changes for “the social”, but does not refer to what triggers institutional changes. And the temporal axis for analyses is disconnected in the concept of mode of régulation as an ensemble of institutional compromise.

Commons, however, clarifies that institutional changes are “what is artificially selected” and points out that such artificial changes are repeated along the temporal axis from the past, to the present and the future.

What causes such artificial changes? Commons answers that no society can possibly evolve if it ignores the value of “futurity.”

Commons calls the specific form of collective action a **transaction**, and emphasizes that there are “three social relationships inherent in a given transaction,” which are of “**conflict, dependence** and **order”**[[22]](#footnote-22). He explains this as follows :

“… the ultimate unit of activity should be concerned with **mutually-dependent interests.** Relationships between human beings are not only of conflict but also of interdependence. … Furthermore, this ultimate unit should be not only what **manifests itself continuously**, essentially in the same form, while fluctuating, but also what can be expected by participants to be practically similar to the state repeated in the past and in the present and to be repeated continuously in the future. The unit must contain security of expectations. We name this kind of expectation **order**[[23]](#footnote-23).

What Commons means here is that conflict and dependence continue being re-organized actively and indefinitely. He goes on to pose a question of why the relationships of conflict and dependence go on. The reason is that the ”reorganization process of relationships” is warranted by the value of ”future-oriented, selective volitional expectation,” or “joint expectation perpetuated in society,” which is to say that society expects the relationships will ( have to, could hopefully, should, should not, or otherwise ) continue into the future. The real process of re-organization in the relationships consists of conflicts and interdependence not only between human beings, but also inside each human being (and between legal and private persons; and between legal persons), and between various fields (the above-mentioned principles). All the forms of conflict and interdependence are established between willingness of individuals who anticipate, want or don’t want this or that in the future. When they seek a way out of conflict or interdependence through negotiation, actors need to reach an agreement. This kind of agreement is not only made possible by the intention to obtain or to abandon economic interests, but also should imply what kind of social and economic condition actors hope to have. The “order” as Commons defines it, therefore, is what involves the value of “futurity,” a measure by which to anticipate the future and consider what is necessary to lead the existing conflict and interdependence to agreement. In this sense, the value of “futurity” is the value of future expectation among social members of the order.

(3) Concept of “Reasonable Value” Incorporated as Complex of Values

The theory of régulation, on the other hand, does not set such a value-based temporal axis. The order as the theory of régulation describes it is nothing more than a state of social structure. Neither does the concept of institutional compromise assume such a temporal axis. There is no assumption about the value of joint expectations in them. However, it is clear that such expectations give directions to society into the future. To put it in the wording of the theory of régulation, it is not only the mode of régulation that “guides and directs” the social economy now, but also the complex ensemble of such values as scarcity, efficiency, custom, sovereignty, and futurity. So, the mode of régulation should be regarded as reflecting “reasonable value,” or complex of values, in addition to being a thing that describes the structural state of social order. It is necessary for the theory of régulation to adapt and incorporate “reasonable value” in a way suitable to itself. This is the complex of values, a third dimension for analysis, in addition to the other dimensions for analysis: the cycle of macro-economy and the *modalité* of social structure.

As mentioned above, the theory of régulation has already dealt with values related to the value of futurity some way or other. Still, the method of economically analyzing the social economic system, while setting aside the matter of values, then stealthily putting the matter back and pretending to discuss policy neutrally in terms of value is the same as the old trick of neo classical economics. It is often said that there are as many economic policies as there are economic theories. This is nonsense, but sheds light on this deception.

What Commons thinks secures “reasonable value” is the “due process of law,” which is the rule by the Supreme Court. And what advances the process is the principle of “democracy.” This does not mean, however, that theoretical incorporation of analyses of “legal dimension” ( custom / law ) and “political dimension” (sovereignty) is the only chief concern in the theory of régulation.

Rather, it is essential to conduct analyses in all dimensions about whether the present state of social order is reasonable or not. Consideration should be given then to the following questions: How is the distribution of wages and incomes as economic values decided? If there is something wrong with the distribution, what is the institutional device which determines that distribution? And what is the way of sovereignty which allows that distribution? What is the value of futurity which influences the social totality? These questions should be studied pragmatically. Commons states that it is individual willingness, its conflict and interdependence, and its order that generate, develop or degenerate “reasonable value.” Régulation theorists should work to incorporate this aphorism of his into their theoretical framework. His concept of “reasonable value” that, as there are limits to anything, various conflicts of interests are contained within the limits and the limits themselves evolve historically, could well be regarded as equivalent to the concept of régulation today.

**Concluding Remarks**

We have herein reflected on the theory by Commons to explore how the theory of régulation is diverging, and reached the following conclusions: First, the theory of régulation should not be preoccupied with methodological holism, but adapt the “methodological collectivism.” Next, institutional changes should be discussed from the perspective of evolutionism. The engine of evolution is the diversity of willingness of individuals. This diversity brings about stratification of individual willingness. In turn, the conflict and interdependence between them, and the formation and development of their order bring about evolution. Such a perspective from which to observe “the exercise of willingness and institutional changes due to it” is essential for integrating “economic régulation” which analyzes a historical aspect of the macro-economic structure, and “social régulation” which analyzes the social and the political simultaneously in terms of institution. Lastly, the theory of régulation should be liberated from the illusion of value neutrality. Knowledge of “comparative institutional analysis” gained from systematic classification about the present mode of régulation does not become significant until it is applied to a policy. It would be meaningless to incorporate it into a theory in hindsight. Rather, it is necessary to admit every possibility of value combination, to accept diverse values and their multiplex combinations as a theoretical premise, to consider the functional forms of values and their results, and to discuss the diversity of national courses of the regime of accumulation. Our next task is to develop the concept of “reasonable value” into a more specific social-economic index, and to analyze changes in the macro-economic patterns indicated by the index.

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**Appendix**

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| --- | --- | --- | --- | --- |
| **Schools** | **Phenomenological, macro institutionalist**  **RA** | **Topological, sociological RA** | **Ontic, structuralistic RA** | **Historicism, Evolutionist IE** |
| **Typical scholar** | Amable, Boyer | Aglietta, Théret | Lordon | Commons |
| **Understanding of Institution** | canaling and inducing macro economy | Intermediating domains of social totality | Setting structure of social totality | Controlling, liberating, expanding collective actions in time and space,  Media of various going concerns |
| **Main analytical target, its subject in methodology, its direction of cause** | Domain of macro economy  Mainly social totality in totalism → Macro economy → Meso → Macro economy | Economic, politic, cultural domain Totalism  Social totality → The politic → The economic → Social totality | Economic, political domain Totalism  Total society →  Macro economy  →Individual having conatus → Social Totality | Economic, political, ethical domain Going concern Individuals as relations → firm, organization → the social → individuals as relations |
| **Place of institution in system** | Institution is embedded in system | Intermediating plural systems and performing in each system | Origination of operation for structuring | Mediation which control, liberate, expand individual action inside collective action and between groups |
| **Understanding of function of institution** | Emphasizing on, first, function of stabilization of macro economy, then its destabilization | Coexistence of function of coordination inside plural domains by institution and function of cross-domain regulation | Stabilization of regulation in structure of social totality and historical contingency of institutional change | Individuals as relation, intermediating mutually organizations (going concerns) and lead them organic relationship, yet embodying a transformation in judicial and ethical  perspective |
| **Understanding of institutional dynamics** | Emergence and structuration of institution (institutionalized compromise) → stabilizing regime  →coming up contradiction → crisis of mode of regulation | Stabilization of institutional order in plural domain (mode of regulation) → contradictions between domains →change of aspect where mode of regulation function | Structuration of social totality by institution (institutional compromise) → increasing of various contradiction in social relations → toward transformation of  forms of institution | Organic relation of going concern → artificial selection of institution (conflict of interest and compromise) by willingness and law in each going concern |
| **Relevance between institution and various values** | Emphasizing economic value (economic indicator), but they recognize the function of value being influence for institution as far as external | Emphasizing not only economic value but also various social values, and they are influence evaluation of economic value | Emphasizing economic value, but eliminating substantive value theory  Emphasizing psychological value of emotion relating with setting motion  of conatus | Emphasizing economic, political, ethical value  Value of futurity (joint expectation toward future) has an important role in evolutional process |

Figure 1

Comparison of Theory of Commons with Regulation Approach (RA)

1. This interpretation does not always exclude the concept of “institution as a medium” described later. This is because institutions clearly should “intervene” to assign the macro-economic cycle to the continuous causal link. If such an intervention is regarded as a medium, the institution as it is defined herein should be treated accordingly. In fact, Chavance [2007] regards the concept of “institution as a medium” as institutional concept of the theory of régulation. It should be noted, however, that the term of institution is not reduced only to a “mechanical device which proportional divide economic quantities of institutional variables” in the sense of economic variables. [↑](#footnote-ref-1)
2. The reason for taking up money here is that Commons regards “money” as an institution, as will be described later. [↑](#footnote-ref-2)
3. In his preface to the Japanese version, Théret [1992.] uses the terms, primary and secondary of “intermediary institution.” “Money, law, and discourse” as institutions understood on the structural level are identified as primary intermediary; “Social security system, political party system, and mass communication” as institutions understood on the practical level are secondary intermediary. [↑](#footnote-ref-3)
4. This “value” refers to social values, not to “cause,” “regulator,” or “measure” in economic acts in economics in general. The functions of those values will be described later in connection with Commons. Their basic interpretations for this paper could be found in Chapters 2 to 6 of Commons [1934]. [↑](#footnote-ref-4)
5. Refer to the introductory chapter of Aglietta et Olréan [1998] for the details of this discussion. [↑](#footnote-ref-5)
6. Chavance [2007] mentions that one of the most important contributions of Commons’ institutional economics to institutionalist economics is his own concept, or futurity. We completely agree with him because a characteristic concept of time is necessary to incorporate the concept of “evolution” into the theory of régulation. [↑](#footnote-ref-6)
7. Inspired by the pioneering study by Théret, we undertook a study on Commons, and has published a Japanese version of “Institutional Economics” by Commons. It will consist of three volumes. The first volume is already out and the second and third volumes will come out before the end of this year. The following analysis is part of our study. [↑](#footnote-ref-7)
8. Commons, [1934], p.6. [↑](#footnote-ref-8)
9. Ibid, p.122. [↑](#footnote-ref-9)
10. Reasonable value will be described later. [↑](#footnote-ref-10)
11. Institutional Economics often uses “psychologist economics” to refer to utility-analysis-oriented schools. [↑](#footnote-ref-11)
12. The concepts of transaction and “order” by Commons will be studied in the next section. [↑](#footnote-ref-12)
13. Commons also notes “a transaction among five” in Chapter 6 “Bentham vs. Blackston,” as follows:

    “Transaction cannot be reduced to the unit of one individual, but should involve at least five individuals, whether real or potential. These five individuals have equal or unequal opportunities, fair or unfair competition, moral, economic or physical relations between them. They entertain joint expectations about the arbitration of possible disputes due to the fifth part of what features the group of five individuals.” (ibid, 242.).

    What he assumes here might well be four parties in dispute and the court of common law that mediate them. This structure is useful for studying the modern relations between the state and corporations. It is that the state uses its administrative authority to mediate transactions by four corporations. [↑](#footnote-ref-13)
14. Ibid, p.72. [↑](#footnote-ref-14)
15. Ibid, p.213. [↑](#footnote-ref-15)
16. In this, Commons regards Ricardo and Marx as pioneers of the principle studies. [↑](#footnote-ref-16)
17. The distinction between them depends on the social level on which they function as working rule. In other words, habit is a thing on the level of the individual; custom is a thing on the level of the going concern, which has acquired generality on that level; and convention is a thing on the social level, which has acquired social generality. [↑](#footnote-ref-17)
18. Sovereignty here refers to the form of having the right of command/order in transactions, and to the political power which makes it possible for the parties concerned to coerce and persuade each other (into agreement). [↑](#footnote-ref-18)
19. Ibid, p.52. [↑](#footnote-ref-19)
20. Théret et Dutraive [2013] noted this earlier and clearly defined money as “primordial institution,” reasoning that modern capitalism is the “bankers’ capitalism” as Commons characterizes it. According to them, there are two kinds of sovereign money against political sovereignty: “money as law” and “money as state.” [↑](#footnote-ref-20)
21. In the strict sense of the word, the concept of “order” in the regulation herein is different from the concept of “order” by Commons to be described later. [↑](#footnote-ref-21)
22. Commons (1934), ibid, p. 92. [↑](#footnote-ref-22)
23. Ibid, p.57. Emphasized as in the original. [↑](#footnote-ref-23)