

# J. R. Commons' concept of reasonable value as a result of régulation

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## ABSTRACT.

The purpose of this paper is to clarify uniqueness of the concept of "reasonable value" described in Institutional Economics (Commons, 1934) and to examine similarity and difference from the concept of mode of régulation. Using aspects of the uniqueness of Dewey's philosophy, I examine the following two correspondence relationships; multiple causation and double values in Commons vs. cumulative causation and varieties of coordination in Régulation theory; Commons' concept of collective reason in attaining reasonable value vs. collective actions in emergence of mode of régulation. One of the most important challenges that régulation theory should address for its future development is to establish a macro-social and institutional basis for microeconomics. To achieve the end, a further analysis on emerging processes of mode of régulation seems to be required. However, a process of "co-evolutions of actors' strategies and institutional forms" remains unrevealed and should be addressed to further investigations. Commons discussed on institutional conditions to achieve 'reasonable values' based on his own experiences, by focusing on processes of decreasing conflicts and promoting consensuses among actors in conflicts of interests through institutions for negotiations such as committee system. We may be able to learn a lot from the flame work of institutional economics proposed by J. R. Commons for constructing microeconomics based on macro-social and institutional basis.

**Keywords:** J. R. Commons, reasonable value, mode of régulation.

# 1. COMMONS AND PRAGMATISM

The purpose of this paper is to clarify uniqueness of the concept of ‘reasonable value’ described in *Institutional Economics* (Commons, 1934) and to examine similarity and difference from the concept of mode of régulation. Commons wrote several manuscripts of this book in the 1920s<sup>1</sup>. The manuscript written in 1925 was titled *Reasonable Value* and another one written in 1927 was titled *Reasonable Value / A Theory of Volitional Economics*. These facts indicate that reasonable value is the core concept of Commons’ institutional economics.

However, it is difficult to understand the concept of reasonable value and its position in institutional economics, partly due to the total pages of this book is as many as about 900 pages. The main reason is that his basic concepts, methods and subject-matters are greatly different from familiar classical economics and neoclassical economics. In the first half of the *Institutional Economics*, he explained in detail differences and similarities between his view and views of major economists, from Locke and Smith to Menger and Weser, taking into account historical institutional changes in capitalism. However, in his explanation, he followed from a branch to a branch of economic thoughts, sometimes returning to his own economics. This way of explanation makes difficult to understand systematically his own economic thought. In this paper, I clarify the theoretical uniqueness found in institutional economics of Commons.

Then, we refer to the uniqueness of Dewey’s philosophy. As described below, Commons’ institutional economics was clearly influenced by pragmatism, especially the influence of Dewey was large with respect to the basis of the theory. References to pragmatism of in *Institutional Economics* are as follows. .

“It is just because Peirce, the physical scientist, expounded the psychology of all scientific investigation that we endeavor to follow him and to accept the term Pragmatism as the name of the method of investigation which we attempt to apply to economics in this book”. (Commons 1934, p. 150)

“We are compelled, therefore, to distinguish and use two meanings of pragmatism: Peirce’s meaning of purely a method of scientific investigation, derived by him from the physical sciences but applicable also to our economic transactions and concerns; and the meaning of the various social-philosophies assumed by the parties themselves who participate in these transactions. We therefore, under the latter meaning, follow most closely the social pragmatism of Dewey; while in our method of investigation we follow the pragmatism of Peirce”. (ibid., pp. 150-151)

“Thus we approach, through Hume in 1739 and Peirce in 1878, the meaning of meaning. This meaning, however, is not yet complete for our economic purposes, because Hume was an individualist and sensationalist, while Peirce’s field of research was the physical sciences. Not until we reach John Dewey do we find Peirce expanded to ethics, and not until we reach institutional economics do we find it expanded to transactions, going concerns, and Reasonable Value”. (ibid., p. 155)

“In other words, we use the term ‘pragmatism’ always in the scientific sense of Peirce as a method of investigation, but we consider that Peirce used it only for the physical sciences where there is no future and no purpose, while James and Dewey used it always for the human sciences, where the subject-matter itself is a pragmatic being always looking to the future and therefore always motivated by purposes”. (ibid., p. 655)

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<sup>1</sup> The manuscript written in 1927 was newly found in the Kyoto Prefectural Library by the author. Its provenance and overview of this manuscript is shown in Uni (2013).

From the above quotations, Commons followed Peirce's pragmatism with respect to scientific method of investigation, and followed Dewey's pragmatism with respect to "the various social-philosophies assumed by the parties themselves who participate in these transactions". Although the contents of the former were described in considerable detail in Chapter 4 titled 'Hume and Peirce', the latter pragmatism of Dewey was not explained further than the above quotations. As discussed below, the uniqueness of the institutional economics of Commons broadly overlaps with the uniqueness of Dewey's philosophy. Therefore knowing the contents of the pragmatism of Dewey contributes significantly to understanding Commons.

## 2. PRAGMATISM OF DEWEY

Boisvert (1998) characterized Dewey's philosophy by his rejection of three traditional strands. The first strand rejected by Dewey is "the Plotinian temptation". Plotinus explained all of existence as an emanation from the "One," his highest principle, and his ideal of life was an escape from the multiple and material world of the here and now (Boisvert, 1998, p.6). For Dewey, the world is plural and irreducible to any of the single guiding principles selected as ultimate. For him pluralism goes all the way down. The second strand rejected by Dewey is "the Galilean purification". Although he never wavered in his support of the science, he rejected as a method of philosophy, a methodological procedure made prominent by Galileo. In this procedure, a law is considered under ideal conditions substituted for ordinary one. Namely, he did not adopt fictional "original state of nature" of Locke and Rousseau or "original situation" of Rawls. For him, philosophical analysis always begins in medias res, and the context of ordinary experience is also the locus to which we must return (ibid., p.9). The third strand rejected by Dewey is "the asomatic attitude". As typically shown in Descartes who codified the separation of mind from body, "rational" and rationality was defined in terms of a mind opposed to the body. Dewey rejected such Modern bicompartimentalization of human beings and epistemology based on this dualism (ibid., 1998, pp.9-10).

For Dewey, humans are participants in multifarious sorts of interactions within the world that encompasses them. Ordinary experience reveals entities in varied multifarious forms of interrelationships. Therefore, a starting point of analysis is these interactions and experiences (ibid., 1998, pp.20-22). "Experience is a matter of functions and habits, of active adjustments and readjustments, of coordinations and activities, rather than of states of consciousness." (Dewey 1910, p.5)

It is habits, customs and institutions that occupy an important place in human behavior understood in this way. Habits, customs and institutions are formed through the interactions between humans and the natural and social environment, through the collaboration or mutual adaptation. According to Dewey (1927), customs and institutions is a habit of the group, most human habits is formed under the influence of the customs and institutions of the group. As habits, customs and institutions have the inertia, it is difficult to change them, but it is not impossible. As possibilities for reform and reorganization of customs and institutions, Dewey (1922) mentioned education and pluralistic structure of society. Education for the young who are not as yet as subject to the full impact of established customs may become the trigger to reorganize customs and institutions. Another possibility exists in the tendency that "the more complex a culture is, the more certain it is to include habits formed on differing, even conflicting patterns" (Dewey, 1922, p.128). That is, "the conflict of patterns involved in institutions which are inharmonious with one another" may produce great changes.

Intelligence plays a great role in reform and restructuring of customs and institutions. Dewey (1922) mentioned that "only a hitch in its workings occasions emotion and provokes thought" and "a novel factor in the surroundings releases some impulse which tends to initiate a different and incompatible activity, to bring about a redistribution of the elements of organized activity between those have been respectively central and subsidiary". Finally, "as organized

habits are definitely deployed and focused, the confused situation takes on form, it is "cleaned up"----the essential function of intelligence". (Dewey 1922, pp.172-180)。

Dewey's position is "act consequentialism", according to which, an import of activities "lies in their objective consequences----their bearing upon future experiences" (Dewey 1917, p.15). From this position, consequences of actions depend on whether we can reorganize customs and institutions or not. "The only power the organism possesses to control its own future depends upon the way its present responses modify changes which are taking place in its medium". Then, a key is capability to forecast the future which the organism has to a greater or less extent. "For use of the given or finished to anticipate the consequence of processes going on is precisely what is meant by "idea," by "intelligence."" Therefore, "it can deliberately, intentionally, participate in the direction of the course of affairs." (Dewey 1917, 15-16)

**Table 1. Comparison of Dewey, Commons and Régulation Theory**

Dewey's Philosophy	Commons' Institutional Economics	Régulation Theory	Classical or Neoclassical Economics
Pluralism and multiplicity of the world: rejection of the Plotinian temptation	Multiple causation, Double values and their adjustments by three types of transactions	Cumulative causation, Varieties of coordination	Unilateral causation, Single value, Privileged position of market
Start from multifarious sorts of interactions: rejection of the Galilean purification	Transactions as units of analysis	Institutional forms as start points of analysis	Commodities or individuals as units of analysis
Importance of habits and its change: rejection of the asomatic attitude	Importance of institutions and its endogenous change: especially long-term historical change	Importance of institutions and its endogenous change: especially long-term historical change	Institutions as obstacles outside economy. Its exogenous change
Role of intelligence in reorganization of customs and institutions: rejection of the asomatic attitude	Role of collective reason in attaining reasonable value: common-law method and committee method	Role of collective actions in emergence of mode of <i>régulation</i>	Privileged position of equilibrium and stable growth without institutional changes

Source: made by author

Corresponding to the uniqueness of Dewey's philosophy shown in the previous section, I described the uniqueness of Commons' institutional economics and régulation theory as Table 1. First, multiple causation and double values in Commons correspond to Pluralism and multiplicity of the world of Dewey. In régulation theory, cumulative causation and varieties of coordination corresponds to it. Second, Commons' transactions as units of analysis correspond to Dewey's start from multifarious sorts of interactions. In régulation theory, Institutional forms correspond to it. Third, importance of institutions and its endogenous change in Commons and régulation theory correspond to importance of habits in Dewey. Fourth, Commons' concept of collective reason in attaining reasonable value corresponds to Dewey's concept of intelligence in reorganization of customs and institutions. In régulation theory, collective actions in emergence of mode of régulation correspond to it.

As I focus Commons' concept of reasonable value in this paper, I discuss the above first aspect in Section 3 and the fourth aspect in Section 4.

### 3. PLURALISM AND MULTIPLICITY OF THE WORLD

#### 3.1 COMMONS: MULTIPLE CAUSATION AND DOUBLE VALUES

First, on multiple causation, Commons stated as follows.

“When the older schools and their modern strict conformists worked out their theories they tried to select a single principle of causation, like labor or desire, whereas modern theories are certainly theories of multiple causation. Hence I do not think that "institutional causation" excludes other causations”. (Commons, op. cit., p. 8)

“We distinguish it as "multiple change" and "multiple causation." In the physical sciences, causation is entirely eliminated, because the subject-matter has no will of its own. The mathematical economists necessarily endeavor to treat economic science in a similar way and to rule out causation. (...) The human being, in constructing its formula of part-whole relations, is seeking to discover what is the limiting factor, the strategic control of which will produce changes in other factors, each of them acting through their own forces. Here the idea of cause, effect, and purpose originates; a theory of multiple change in physics becomes a theory of multiple causation in economics.” (ibid., p. 100)

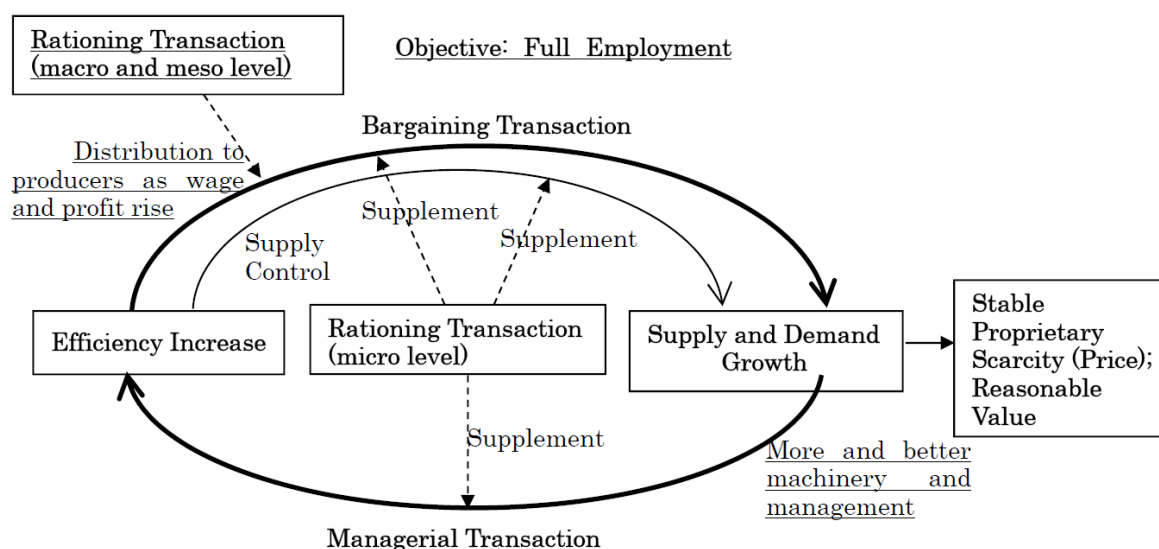
“The basic reason, we take it, for this exclusion of technology was in the psychological and materialistic—instead of volitional—foundations for economics. Derived from psychology or materialism was the idea of building a whole system of economics, and even a whole social philosophy, upon a single principle, such as labor or wants; whereas the subject-matter is a complex of many principles. Modern economics is greatly concerned with investigations in the technology of all industries and agriculture.” (Ibid., p.376)

With regard to double values; efficiency value and scarcity value, Commons’ framework of multiple causation may be shown as in Figure 1 (Uni 2013). This causation acts cumulatively between the increase in efficiency value and the growth of demand (and supply), and it brings about stable scarcity value. This circular interdependence between the increase in efficiency and the growth of demand (and supply) is mediated by the three types of transactions; bargaining transaction, managerial transaction and rationing transaction. Efficiency value means the ratio of output to input. When the input is measured by the amount of labor, efficiency value is the same as physical labor productivity. Efficiency value is increased mainly by managerial transaction. As an institutionalist, his innovation was on the understanding of scarcity value. Commons named his own concept “proprietary scarcity.” Proprietary scarcity is different from the concept of scarcity in various schools. Scarcity for Adam Smith and the marginalists was psychological and subjective, based on the pleasure and pain that human beings felt. Ricardo explained scarcity based on the strength of nature’s resistance to human beings, such as the niggardliness of land. His scarcity was natural scarcity, even though it was objective. On the other hand, Commons’ scarcity is objective scarcity, which is defined as the relationship between the amounts of supply and demand in a particular society at a particular time. Although the quantity of supply is limited absolutely by nature in Ricardo’s natural scarcity, the quantity of supply to the market is limited or withheld artificially in Commons’ proprietary scarcity, on the basis of a collusion or monopoly of suppliers. Its purpose is to prevent a decrease in scarcity (price) due to excessive supply. Commons emphasized that, whether in the case of general commodities or labor power, sellers’ power to limit or withhold their supply has been strengthened historically by the development of institutions of ownership and labor rights.

Commons does not set an objective for the quantitative growth of demand. Commons’ objectives are to “get its higher standards of living as producers at higher wages, shorter hours, and steady employment through the year” (ibid., p.799). Here, Commons’ indication of shortening working hours in addition to maintaining full employment deserves attention. These objectives are to be realized through the control of the quantity of supply and demand, but this control is collective action, namely, policies and institutions based on the “social ideal of shortening the hours and increasing profits and wages by efficiency instead of scarcity” (Ibid., p.804). Commons mentioned that the ultimate guide to this collective action is “maintaining full

and steady employment” (ibid., p.805). Furthermore, the concept of rationing transaction, which was introduced in Institutional Economics, included institutional adjustments at the macro and meso levels affecting income distribution and redistribution. I think that Commons could introduce cumulative causation in his theory, as shown in Figure 1, based on these conceptual expansions of proprietary scarcity and rationing transaction. “Reasonable value” is realized through this circular interdependence mediated by collective action. On this topic, I discuss in details in Section 4.

Figure 1. Commons’ framework of cumulative causation



Sources: Made by the author.

Notes: Underlined elements and bold arrows show additions in *Institutional Economics*.

### 3.2 RÉGULATION THEORY: CUMULATIVE CAUSATION AND VARIETIES OF COORDINATION

In order to sustain macroeconomic growth, a relatively high growth rate of the demand for commodities with high productivity growth is a necessary condition. Based on Kaldor’s concept of cumulative causation, this condition implies that the effects of productivity growth on demand growth and vice versa are considerable in the case of such commodities. Boyer (1988) labelled the route from productivity growth to demand growth as ‘demand regime’ and that from demand growth to productivity growth as ‘productivity regime’. Using a macroeconomic model, he derived the function that expresses each regime. He also explained the transformation of the growth regime through the shift of these two functions. In macroeconomic analysis, régulation theory give priority to the explanation of the process of cumulative causation that operates within each regime taking into account institutional forms. In order to clarify the mechanism of these effects, we divide each regime into two stages, as shown in Figure 2 (Uni, 2007).

The route from productivity growth to demand growth comprises two stages, namely, income distribution and income expenditure. Especially income distribution in terms of the distribution of productivity gains is important. For instance, in some cases, it could be mainly distributed as either wage rise or profit rise. Moreover, it could be distributed evenly as both or as a decrease in commodity price benefiting purchasers (Petit, 2005). An important factor affecting this distribution selection is wage institutions, which vary by country and can be either centralised or decentralised bargaining. The route from demand growth to productivity growth consists of adjustments of capital stock and employment. The main method of adjusting the quantity of

labour is the adjusting the extent of employment. However, since employment is directly related to a worker's life, the extent of employment is not a variable that can be freely changed based on the manager's decision. The flexibility of employment depends on factors such as legislation on employment protection and the power of unions in negotiation.

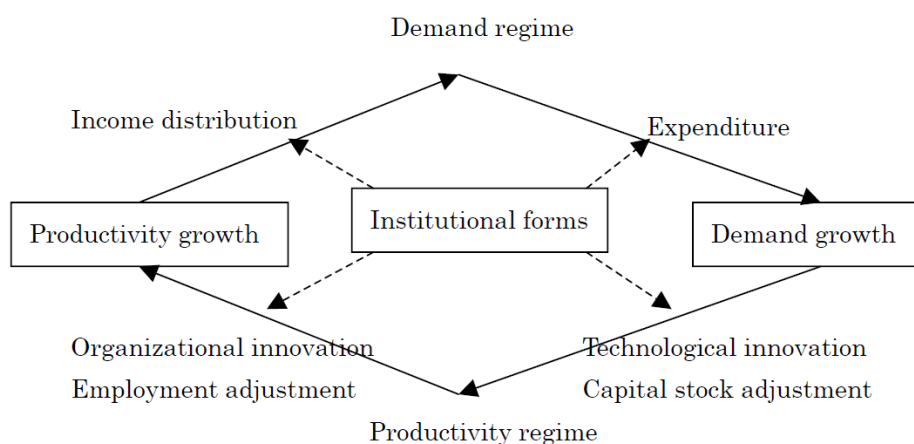


Figure 2 Cumulative causation mediated by institutional forms

Source: Uni (2007)

For *régulationist*, an important characteristic of cumulative causation interpreted as growth regime is that viability of growth regime is open question. Therefore, a system of equations that expresses the growth regime is under-determinant system.

“La question de la viabilité du régime économique associé à une architecture institutionnelle est a priori ouverte: seule l'observation ex post d'une telle viabilité donnera l'illusion d'un fonctionnalisme. (...) Ainsi, la théorie de la régulation développe des concept intermédiaires entre une théorie valable en tout temps et tout lieu et la simple observation des données macroéconomiques. Elle est donc volontairement sous-déterminée.” (Boyer, 2004a, pp.40-41)

According to *régulation* theory, this under-determinant system is closed by emergence of mode of *régulation*. As, in general, institutional forms in different domains are independent each other, compatibility and coherence of them is not guaranteed. Mode of *régulation* brings about this compatibility and coherence. In Section 4, I will discuss how mode of *régulation* emerges.

“Précisément, cette indétermination théorique introduit la présentation du concept central, à savoir celui de mode de régulation. Ainsi, les compromis institutionnalisés sont fondateurs des formes institutionnelles. Or ils sont, en général, indépendants des uns des autres, ne serait-ce que du fait de la spécialisation de différentes sphères de l'activité économique. Comment des entités a priori indépendantes (par extension, les formes institutionnelles) peuvent elles impliquer une évolution d'ensemble compatible avec leur coexistence et persistance, bref former système? Si la réponse est positive, on convient d'appeler mode de régulation l'ensemble des mécanismes économiques impliqués.” (Boyer, 2004a, p.41)

In *régulation* theory, another aspect that corresponds to Pluralism and multiplicity of the world of Dewey is various forms of coordination alternatives to state and market, such as Hierarchy, Community, Network and Alliance (Boyer, 2002, p.325). On this point *régulation* theory joins Commons' rejection of single economic value and single adjustment mechanism.

“L’innovation la plus importante consiste à considérer que le marché n’est que l’un des multiples arrangements institutionnels susceptible d’assurer la coordination des agents économiques: y contribuent tout autant la firme, l’association professionnelle, le réseau, la communauté, l’État...” (Boyer, 2004b, p. 34)

## 4. INTELLIGENCE IN REORGANIZATION OF CUSTOMS AND INSTITUTIONS

### 4.1 COMMONS: COLLECTIVE REASON IN ATTAINING REASONABLE VALUE

Commons thought that the ultimate unit of activity “must contain in itself the three principles of conflict, dependence, and order”. This unit is a transaction. This selection of ultimate unit is contrast to Classical or Marginalist economists whose ultimate units are commodities or individuals, “in fact, along with the analogy of equilibrium, a harmony of interests rather than a conflict of interests.” (Commons, op. cit., pp. 57-58)

Thus, Commons’ concept of transaction that contains the three principles of conflict, dependence and order leads to the theme of “controlling human nature by collective action” (ibid., p. 258). Here, Commons’ concept of reasonable value of Commons is positioned.

Commons’ definition of habits, customs and institutions is almost as same as Dewey (ibid., p. 45, pp. 69-70). A difference is that Commons explicitly refer to specific procedure for reorganizing institutions. It is called “common-law method”.

“But these customary standards are always changing; they lack precision, and therefore give rise to disputes over conflicts of interest. If such disputes arise, then the officers of an organized concern, such as a credit association, the manager of a corporation, a stock exchange, a board of trade, a commercial or labor arbitrator, or finally, the courts of law up to the Supreme Court of the United States, reduce the custom to precision and add an organized legal or economic sanction. This is done through the Common-Law Method of Making Law by the Decision of Disputes. The decisions, by becoming precedents, become the working rules, for the time being, of the particular organized concern.” (ibid., pp. 72-73)

“Hence, when we speak of the common law we mean, not the technical common law of the legal profession, but the Common Law Method of Making Law by Deciding Disputes. The method is not confined to courts of law. It is the method of commercial arbitration and labor arbitration, where the sanctions are not those of sovereignty. It is the method of making law in the family, the church, the labor union, the business concern. It is the method of precedent, choice of customs, unwritten law, and assumptions. Custom becomes common law by the common-law method of deciding disputes.” (ibid., p. 707)

When Commons focused on value in reorganizing institutions by common-law method, he called the goals of this procedure “reasonable value”. He proposed four conditions for attaining to reasonable value; “equal opportunity”, “fair competition”, “equality of bargaining power” and due process of law”. He mentioned that these concepts had been built gradually in the intelligence of the court (ibid., pp. 62-63). He described “the historical expansion of this doctrine of reasonable bargaining power” in the United States as follows.

“Labor organizations were the first to move towards this later doctrine of reasonable bargaining power by collective action, because they were the first to feel the pinch of the



limited number of jobs and of the resulting discriminations and destructive competition. Railways and other public utilities next were forced by law to come under the doctrine, because the supply of their services was evidently limited, and their huge corporate form enabled them to set their own rules for the individual bargains of shippers and passengers. Manufacturing industries next came within the theory, the issue, in their case, culminating in the cases cited above. Then the most comprehensive of all industries, the banking industry, was admitted to the process, under the Federal Reserve Act which authorized concerted action of eight thousand banks, guided by twelve Reserve banks, in regulating the prices to be charged for, and the volume to be issued of, bank credit. Then the farmers, by enlarging the meaning of cooperation from cooperative production to cooperative marketing, are in the struggling process of obtaining a larger share of the world's purchasing power by their own collective bargaining power. Last of all, the Federal government, through its National Industrial Recovery Act, and its Agricultural acts, with their codes and regulations under the direction of the President, extends wholesale the doctrine of reasonableness by collective action to practically all manufacturers and agriculturists.” (ibid., p. 345)

Reasonable value is “fair and reasonable as between all parties because there is no coercion or misrepresentation” (ibid., p. 260) through the method of precedent, choice of customs, unwritten law and assumptions under conditions of “equal opportunity”, “fair competition”, “equality of bargaining power” and due process of law”. In non-institutional economics, ideal perfect market is believed to bring about equilibrium price without any coercion or misrepresentation under conditions of equal opportunity, fair competition and equality of bargaining power. Why, Commons attributed reasonable value to common-law method rather than ideal market? There also is the impact of Dewey’s pragmatism. Dewey rejected “the Galilean purification” where a law is considered under ideal conditions substituted for ordinary one. For Dewey, philosophical analysis always begins in medias res, and the context of ordinary experience is also the locus to which we must return. As Commons also has the same thought as Dewey, he chosen to start from the real incomplete markets rather than from an ideal market.

“In all cases where, contrary to equilibrium theories, competition is not wholly free, equal, and prompt; (...) If competition were always ideally free, as assumed in the working hypotheses of non-institutionalists, then there would be no measurable difference between competition and choice of opportunities. But the lawyer, though more “opportunistic” and less “fundamental” than the economists, is, for that reason, closer to the everyday experiences of inequalities of all classes of people. He is dealing directly with individual experience in its relation to the social opportunities owned, controlled, or withheld by other individuals, in a world where there is no equilibrium at the cost of reproduction simply because there is not perfect freedom, perfect equality, or perfect promptitude of competition. We must therefore turn to the more realistic alternatives that people are up against.” (ibid., pp. 330-331)

“Hence the practical theories of today, in the United States, are not the older theories of individual competition, individual property, the liberty of individual bargaining, the mechanism of free competition, nor even the communist theories of prohibition of bargaining. They are the theories of reasonable bargaining power. These come before economists and courts under the four groupings of discrimination, or unequal opportunity for individual bargaining; fair competition instead of free competition; reasonable price instead of normal or natural competitive price; and equal or unequal treatment of the different kinds of bargaining power, such as that of laborers and employers, farmers and capitalists, etc.” (ibid., p.345)

In addition, Commons mentioned the role of intelligence and reason in the process of attaining the reasonable value through reorganizing institutions. For Commons, if intelligence

and reason exists, it is not individual one but collective and historical one.

“But Reason differs from Reasonableness. Man is not a rational being, as the Eighteenth Century thought; he is a being of stupidity, passion, and ignorance, as Malthus thought. Hence Reasonable Value contains a large amount of stupidity, passion, and mistake. According to the historical analysis by Malthus, reason and moral character are a slow evolution out of overpopulation, conflict of interests, and the resulting necessity of having a government of law and order to regulate the conflict. Yet, during all these years of the Age of Reason, the common-law courts were developing an institutional idea of reasonableness and reasonable value, in the process of deciding conflicts of interest and bringing order out of incipient anarchy. This institutional idea of reason and reasonable value has been collective and historical, whereas the rationalistic idea was individualistic, subjective, intellectual, and static.” (ibid., p. 682)

## 4.2 RÉGULATION: COLLECTIVE ACTIONS IN EMERGENCE OF MODE OF RÉGULATION

Régulationist definition of institution partly follows that of Commons. Boyer (2004b) describes as follows.

“Les institutions, se situeraient à un niveau méso-économique assurant la passage du micro au macro et vice versa. En effet, les institutions ont en particulier pour propriété de résumer les informations pertinentes pour les acteurs, au-delà même du système de prix.” et propriété “de prévoir des sanctions pour ceux des agents qui dévièrent par rapport aux règles implicites ou explicites (Commons [1990]). / Dans ces conditions, il est possible de revoir l'hypothèse de rationalité substantielle et de lui substituer une rationalité institutionnellement située.” (Boyer, 2004b, p.34)

Régulationist understanding of market is also similar to that of Commons. Markets are not self-established, in so far as their daily operation presumes a complete network of rules and external enforcers to ensure honest transactions (Boyer, 2002, p.323). Boyer (2004a) shows the following historical fact.

“Façon que se trouve limité l'impact du pouvoir de négociation bilatéral entre chaque paire d'offreur et de demandeur. À nouveau, divers dispositifs institutionnels sont possible. Au Moyen Âge, des foires se tenaient périodiquement en des lieux précis et l'équivalent des autorités contemporaines de régulation des marchés s'assuraient que toutes les transactions intervenaient à la vue de public, pour éviter que tel offreur ou demandeur utilise son pouvoir de négociation et son information à son bénéfice.” (Boyer, 2004a, p.17)

With regard to institutional change, especially, régulationists' concerns for long term history and comparative analysis emphasize the endogenous factors that govern the evolution of institutions, as well as the variety in relations between politics and economics (Boyer, 2002, p.332). For régulationists, the most important matter is an emergence of mode of régulation. For example, the emergence of mode of régulation in Fordism was not possible only by firm-level innovation by Henry Ford. “Collective actors, public intervention, laws and collective conventions eventually brought about the shift to Fordism, but through institutional arrangements that were quite the opposite of those imagined by Henry Ford” (Boyer, 2002, p.322). Boyer (2004a, 2004b) mentions the role of collective actions as follows.

“Cela ne signifie pas que certaines innovations au niveau local ne finissent par

affecter le mode de régulation. Les relais de l'action collective, de la délibération politique, du droit s'avèrent nécessaires et déterminants dans le processus complexe et rarement anticipé d'émergence de nouvelles régulations.” (Boyer, 2004b, p.35)

“L'histoire sociale montre et la théorie confirme que ce conflit propre au travail appelle une grande variété de dispositifs juridiques, organisationnels et institutionnels permettant de le surmonter, transitoirement au moins. Interviennent en effet les normes d'effort, des dispositifs de contrôle (la pointeuse, le chronomètre), des rémunérations incitatives (salaire aux pièces, participation aux profits, stock-options), mais aussi des négociations collectives tendant à canaliser les conflits du travail grâce à des conventions encadrant le contenu du contrat de travail.” (Boyer, 2004a, p.22)

In this point, Commons and régulationist share the same thought on creating institutional compatibility and coherence. This thought is called “collective reason in attaining reasonable value” by Commons and “collective actions in emergence of mode of régulation” by régulationist. A difference is that Commons explicitly refer to specific procedure called “common-law method”.

## 5. CONCLUSION

One of the most important challenges that régulation theory should address for its future development is to establish a macro-social and institutional basis for microeconomics (Boyer, 2002, p.333). To achieve the end, a further analysis on emerging processes of mode of régulation seems to be required. However, a process of “co-evolutions of actors’ strategies and institutional forms” (Boyer, 2004b, p.148), that is an interactive process between institutional changes and changes of actors’ preferences, remains unrevealed and should be addressed to further investigations as Boyer mentioned.

“La théorie de la régulation ne livrent, par construction, que le résultat des interactions au plan méso-économique, sans qu'il soit possible, faute de données et d'analyses, de faire la part entre changements institutionnels et altération des préférence.” (Boyer, 2004b, p.148)

Given that Fordism was the institutionalized compromise over distributions of raised productivity outcomes, which contributed to form the long-term historical development system, it is important to analyze a co-evolutional process of institutions and actors’ preferences over distribution.

Commons discussed on institutional conditions to achieve ‘reasonable values’ based on his own experiences, by focusing on processes of decreasing conflicts and promoting consensus among actors in conflicts of interests through institutions for negotiations such as committee system. He thought that actors’ weights on private interest are decreased and their weights on social welfare (e.g. social preference) are increased in their value systems by exchanging opinions among them in a process of negotiation such as committees. Such process of changing social preference is also confirmed by recent studies on distribution experiments performed by methodology of experimental economics. (Tokumaru and Uni 2014, 2015, Bowles 2004, Fehr and Schmidt 1999). In these distribution experiments, it is observed that in a case there exists social contexts such as communications or share of experiences among them, weights on social preference of actors in conflicts of interests are increased via their other-regarding as well as process-regarding attitudes, compared with a case without such social contexts. Commons discussed on realizations of ‘reasonable value’ exclusively based on his own experiences participating committees in the Wisconsin state, however, recent experimental studies show that his theories seems to be not limited in the particular cases, but hold universality that can be

extended to other cases.

In that sense Commons' theory of reasonable value seems to serve for analysis on emerging processes of mode of régulation, one of the problems régulation theories should investigate. That is to say, we may be able to learn a lot from the flame work of institutional economics proposed by J. R. Commons for constructing microeconomics based on macro-social and institutional basis.

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