THE NEW DEVELOPMENTISM AND REGULATION THEORY

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INTRODUCTION

The historical background

- Regulation Theory emerges out of the confrontation of US and French long run history with conventional theories.
- ...But early extension to Chile, Venezuela and recent large investigation on Argentina.
SYNOPSIS

I. Old structuralism in Latin-America and “Régulation” Theory (RT).

II. The new developmentism and RT.

III. Conclusion.
I. OLD STRUCTURALISM IN LATIN-AMERICA AND “RÉGULATION” THEORY.

1. Common features.

- The intrinsic instability of modern economies.
A synthetic overview of alternative economic theories

<table>
<thead>
<tr>
<th>Value Theory</th>
<th>Stable</th>
<th>Structurally unstable</th>
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<tbody>
<tr>
<td>Subjective</td>
<td>New classical macro</td>
<td>Irving Fisher (1933)</td>
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<tr>
<td>Objective</td>
<td>Classical political economy</td>
<td>Marx, Keynes, Minsky, Régulation Theory Structuralist Theory</td>
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The dialectic between the domestic and the international.
Fordism: domination of domestic compromises over the external constraints
Contemporary world: the hierarchical domination of external constraint
The interwar crisis and the Second World War: turning points

- In the design and architecture of institutional forms

- In economic theorizing: A structurally unstable pure market economy
A viable growth regime is up to an active and coherent economic policy: Fordism
2. Differences.

- All the theories are born local and historically embedded.

- *Latin America*: a colonial past still shapes economic specialization, conceptions about State, productive and social heterogeneity.

- *France / US*: Central industrial economies have been organizing the international relations to nurture their own growth regimes.
Hence different idiosyncratic theorizations
How institutional forms shape any growth regime: against technological determinism
Fordism: The core model of post-world war II (US, France)

- High productivity increases potential
- Stable capital/ labour compromise
- Limited international openness

- Modernisation of productive systems
- Their acceptance by workers
- Focus of labour struggles upon wages
- Outlet for consumption goods

- Large productivity increases
- Allow

- High accumulation rate
- High profit rate
- Pull effect upon capital goods
The heteronomy of rentier regime according to regulation theory
II. THE NEW DEVELOPMENTISM AND REGULATION THEORY.


- Against single minded and mono-causal analyses.
# An overview of conventional development theories

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<th>Explanatory factors</th>
<th>Self-perpetuating growth</th>
<th>Higher standards of living</th>
<th>Technological and organizational modernisation</th>
<th>Human development (health education)</th>
<th>Less poverty</th>
<th>Empowerment</th>
<th>Development as a form of freedom</th>
<th>Ecological sustainability</th>
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<td>Theory of equilibrium</td>
<td>SCHULTZ (1964)</td>
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<td>An appropriate pricing system</td>
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<td>The opening up of an economy</td>
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<td>Open economy model</td>
<td>KRUEGER (1979)</td>
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<td>Human capital</td>
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<td>The basic institutions of capitalism</td>
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<td>Theory of endogenous growth</td>
<td>LUCAS (1988 ; 1993)</td>
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<td>Good governance</td>
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<td>The new institutionalism</td>
<td>NORTH (1981; 1990)</td>
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<td>Absence of corruption</td>
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<td>Democracy</td>
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<td>Promotion of rights and freedom</td>
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<td>Environment</td>
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Development as a form of freedom

Sen (2000)

Ecological model

MEADOWS (1972); CHAKRAVORTY (1997)
Limits of Keynesianism

- An implicit theorizing of the interwar configuration: overcapacity.
- A short run analysis of involuntary unemployment.
- A largely closed economy.
- Limited international interdependency.
- A financial system governed by domestic factors.
- A stagnationnist perspective.
The destabilizing role of financial liberalization.
Brusque reversals in capital flows towards emerging economies

*Ensemble des émergents* : flux de capitaux mensuels **(en Mds de $)**

(*) Hors Russie et OPEP, yc Chine  
(**) Variation sur 1 mois réserves de change - balance commerciale du mois

Wide swing in nominal exchange rates

That may anticipate recurring exchange regimes wars

Limits of a pure rentier economy: highly dependent from the world economy

Rentier regimes:
- Decreasing returns for each investment
- Long lags between exploration, investment and production

Finance led capitalisms:
- Recurring bubbles enhance growth
- Power of finance ultra-short termism

New industrial capitalisms:
- Increasing returns to scale, investment led growth
- Industrial investment turn over and temporality
The impact of finance led regime: the propagation of animal spirits to rentier regimes.

- Dividends and Pension funds
- High stock market price
- Easy access to credit
- Profit
- Consumption
- Production
- Employment

Diffusion of Financial norms
Careful management of investment
Shareholder value as a new form of competition and governance mode
Globalised Financial regime
Highly reactive wage labour nexus

Shareholder value as a new form of competition and governance mode
A second impact: the overcapacity and cutthroat competition associated with Chinese industrial growth regime.
2. *Some differences.*

- The difficult financing of a welfare State with oil rents.
The complementarity between Welfare and Innovation systems: the Nordic countries
Difficult transition out of a rentier regime

The complementarity specialization of Latino-American rentier regimes and Asian industrialist regimes

Source: Miotti, Quenan, Torija Zane (2012)
Only Norway but social democratic before oil producer

Contrast of Trade Dependence and Domestic Social Protection

- Higher public expenditure on education
- More dependence on external trade

Degree of Liberalization of Different Markets
- Higher degree of economic dev.
- Competitive product market
- Higher social security
- Less international capital control

Source: HARADA Yuji, Hironori TOHYAMA (2012), p. 247
The endogeneity of crisis in any growth regime
Brazil: from a successful inclusive growth to a systemic crisis

1. The pillars of Latin-American inclusive growth
Many factors have been intertwined into a complex set of interacting processes

GEOPOLITICS

1. Rising demand of primary good from industrializing Asia
2. Bubble driven US economy
3. Reversion of the terms of trade

POLITY

9. U turn of political alliances after a major crisis (Argentina)
8. General shift towards democracy

ECONOMY

4. Correction of the excesses of early deregulation reforms
5. Wiser macroeconomic management
7. New institutions for labour markets (Brazil)

SOCIETY / WELFARE

Higher and less volatile growth
More ability to tax
Growth with equity
Social demands for welfare
2. Power and limits of this new developmentism

- It is relevant only for countries that already have the basic institutions of capitalism and enjoy an intermediate per capita income.
- It is impossible to generalize an undervalued exchange rate and danger of currency war.
- A neglected issue: what are the class alliances that entitle to build an hegemonic group, able to promote such a strategy?
- Re-industrializing becomes more difficult given the competitive pressure exerted by China.
3. The tensions within the Brazilian strategy.

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<th>Strengths</th>
<th>Limits</th>
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<td>Size of the potential domestic market</td>
<td>Weak of National Innovation System</td>
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<td>Next self-sufficiency in energy</td>
<td>Risk of re-primarization and dutch disease</td>
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<td>Stability of a developmentist strategy across successive governments</td>
<td>Adverse trend of trade deficit</td>
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</table>
4. Brazil: from slower growth to an open structural crisis

Source: Artus Patrick (2013), p. 3.
Domestic demand dynamism but industrial production stagnation: Brazil since 2008

C1 – The major teachings from Régulation Theory

✓ The specificity of rentier regimes of Latin America.
✓ Financialization exacerbates the domestic disequilibria of quite any regime.
✓ A growing complementarity between Latin American rentier regimes and industrial led Asian regimes.
C2 – An interpretation of Brazilian trajectory

- A genuine socioeconomic regime: hybrid between industrial and rentier.
- A significant continuity from Cardoso to Lula Presidencies: an implicit sociopolitical compromise.
- The fragility of a growth regime more and more dependent from the demand of natural resources.
- The endometabolism hypothesis: success leads to systemic crisis.
C3 – *Latin America at odds with the shift against globalization in the rest of the world*

✓ Latin America: end of “progressist” governance.

✓ US, UK: Limits of “neoliberal policies”? 
Is Latin America ready for the next paradigm shift?

<table>
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<th>Developed industrialized world</th>
<th>Latin America</th>
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<tbody>
<tr>
<td>Competitive regulation</td>
<td>Dependent regulation</td>
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<td>Crisis of competitive regulation</td>
<td>Dependent regulation</td>
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<td>Administered / Monopolist regulation</td>
<td>Import substitution strategy</td>
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<td>External constrained growth</td>
<td>Progressive exhaustion of IS</td>
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<tr>
<td>Finance led (US, UK) Export / World led (Germany, Japan)</td>
<td>Re-primarization and Financialization</td>
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<td>Creeping crisis of globalization</td>
<td>Forced return to austerity / orthodoxy</td>
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<th>Period</th>
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Merci pour votre attention

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