

The Economic Catastrophe as a Passionate Event

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Abstract: By going no further than common sense, mainstream economists are accustomed to considering the “crisis” as “when things go wrong” -- in technical terms: “when we’re out of equilibrium”. How puzzling, then, that mass unemployment and inequalities – definitely things going wrong – last for decades. Can the sheer idea of a thirty year crisis make sense? This rhetorical question gives rise to quite another concept of crisis, in line with French “Regulation theory”: it’s not “when things go wrong” but when “things change.” Actually they do change! They do because capitalism is a historical succession of patterns of accumulation. Crisis is the name of the more or less disorderly transition from one accumulation regime to another. In other words, a crisis occurs when significant changes in the institutional setting of capitalism can be observed. However, such a change cannot be determined - only by an “objective” economic state of facts. It all depends on the way the agents (the social groups) make judgements about it, and are consequently driven to take a new, transformative (and conflictual) course of action. In its essence institutional change is a political process and, considered from a Spinozian perspective, a political process is a matter of collective affects and desires. In order to complete “Regulation theory” we are required to see that crises breakout through the mediation of political affects and desires. They are passionate events.

Keywords: crisis, Regulation theory, Spinoza, affects

Economists haven’t thought about the catastrophe. We should ask ourselves why not? History has witnessed enough devastations, suitably economic, that have lead our societies to the fringes of chaos: German hyperinflation of 1923, major financial and banking collapses like that of 1929... The open crisis that began in 2007 could have potentially carried dislocations of this magnitude - it is difficult to concretely imagine what would have happened had the Euro collapsed, which almost happened in autumn 2011 (indeed, perhaps this is a story that remains unfinished...). Yet, as if the economic order of things were postulated by an intrinsic regularity, or rather, only admitting “reasonable” irregularities, economists seldom have at their disposal a concept other than that of “crisis.” What can they offer in the name of the “catastrophe”? Perhaps a terminal destruction of the institutions of the capitalist economy... That is to say, the annihilation of their “object” is the reason why the “catastrophe” remains of the order of the ill-considered - if not of the decidedly unthinkable [*impensé*]? Therefore there will be, continually, only the “crisis.” Furthermore: do economists really think about it?

Economists ought to consider it, since, in the expanded field of public and political debate, in a competition of “concepts,” the notion of “crisis” is a forerunning candidate for the most poorly constructed. It is

enough to have a notion of the uncontrollable proliferation of “crises” in all its guises, “economic” of course, but equally, “political,” “social,” “environmental,” “moral,” and/ or “[crisis of] civilisations.” And we must also question the meaning that the continued evocation of an ‘economic crisis’ - for almost forty years - could well assume. Therefore, we must not rely on the discourses by “media experts,” avid employers of the term, to go beyond the common sense apprehensions which form the generic denomination of political humour and social gloom, sentiments of collective dissatisfactions, and varied malaise, which ultimately yields, more or less, the implicit announcement that: “the crisis is when things go wrong” - typically, thirty years of mass unemployment: thirty years of crisis. However, ceasing to dwell in the register of vernacular formulations, the crisis is not when “it goes wrong”: It’s “when it changes.”

But what is the “it,” a pertinent object of change susceptible to qualifying a crisis? We cannot say that standard (Neoclassical) economic theory has shined as a direct result of its profound analysis; which merely contented itself with a change in the sign of a derivative, known as a reversal of the growth path: a crisis is a fluctuation in decline in the evolution of Gross Domestic Product... In its most extreme form,¹ neoclassical theory goes so far as to hold that since the economy is in itself a system of markets that is perfectly stable and auto-regulated, economic disharmony can only affect the economy from the outside. In theory, economic fluctuations are only a result of “exogenous shocks,” in the view of this very particular context - itself a very anti-Keynesian position, a supply-side shock is, in general, a shock of supply that creates its demand - therefore, it is never from the latter side (that of demand) that any problems could arise. That’s how, for example, the Great Depression of the 1930s is said to be the product of supply-side shocks. An enormous and unfortunate event which came about from the outside, we don’t know where from exactly, that had brutally displaced the production function - something like a massive outburst of collective stupidity leading to a sudden collapse of productivity. The take-away lesson is evident: the system of markets left to its own devices does not know (*connaître*) the crisis, it experiences itself as being inevitably connected to an externality (political, oil, geo-strategic, technological, etc.), as unique origins of its perturbations.

We will, of course, continue to tell ourselves that the discipline of economics is not in good shape as long as it continues to ennoble these types of contortions² destined to hold together a few facts that are difficult to contest (we had a Great Depression, other crises too), and the

1 The so-called *Real Business Cycles*.

2 Robert Lucas, Finn Kydland, Edward Prescott...

defence at all costs is the dogmatic image of the economy as both optimal and stable, the “general equilibrium of markets.”³ In order to overcome these aberrations, we owe it to honesty to recognise that Keynesian macroeconomics has not delivered a concept of the crisis that is any more profound. The concept of the crisis, in Keynesian macroeconomics is considered under the rubric of cyclical fluctuations – those which, in contrast to the neoclassical position, contents itself to a waiting game of the spontaneous regulation of markets, calling any intervention, by means of differing instruments of political economy, counter-cyclical.

Life and death of the regimes of accumulation

The so-called “Régulation school”⁴ defined itself against the poverty of these conceptualisations of the notion of *the crisis* and their corollary inability to think about *the rupture*. At the beginning of the 1970s, the growth rates of output and productivity were brutally reduced from a 4-5% trend, to a much lower slope of 2-2.5% per annum - a rupture which is not visibly justifiable neither from neoclassical denial (in theory), nor in the case of simple Keynesian stimuli (in practice).⁵ Therefore, it was not an ordinary fluctuation that they were attempting to investigate, it was something else which had more to do with a change of era. Régulation theory’s first step, inspired by the dialectic historicisation inherited from marxism, was to break transhistorical universalism (or, to put it another way, ahistorical universalism), of the “laws of economics” in order to think about the accumulation of capital in its particular sequences, that is to say as a periodised process. Still, it was necessary to abandon the original view of the economy as a “system of markets,” in order to give itself the alternative aim of finding *capitalism*, up until then designating a set of social relations which were institutionally married, in order to access the idea that capitalism does not allow us to see its institutional configurations, and yet it is nevertheless *constitutively* subject to historical transformations.⁶ Capitalism changes because its institutional frameworks change. If the social relations of capitalism are its invariables for a very long period, the institutions which *particularly* express them are products of history, as such contingent and temporary, that is to say

3 To be quite honest it is important to emphasize the dissonance between on the one hand what should be called, strictly speaking, the theory of general equilibrium - which has never shied away from the fact that it is unable to demonstrate the stability of equilibrium. And on the other hand, macroeconomics, which is inspired by an all too simplified framework for the properties of equilibrium to be restored.

4 Among the seminal works, we must mention: Aglietta 1976 (1997), and, Boyer & Mistral 1978. Cf also: Boyer et Saillard 1995 (2002); Boyer 2004.

5 As is evidenced by the two attempts at Keynesian stimuli (Chirac 1974; Mauroy 1981), which resulted in the same failure.

6 As well as geographical variations.

that which is offered by the formations and transformations of history. And who has a clear intuition of this? Doesn't the fundamental relation of waged labour receive markedly different actualities than what was envisaged during the first thirty years of the twentieth-century, from 1954 to 1985, or under the regime of neoliberal globalisation? And even for the forms of competition, those in the financial services, industrial organisations, state intervention methods, etc. The Régulation approach gives some analytical consistency to this basic intuition, that capitalism *varies*. By changing the institutional forms, you change the mechanisms which drives the accumulation of capital. As a result, the macroeconomic dynamic of the growth path - as regular or unstable, at low or high speed, high or low employment rates, with particular consequences on revenue sharing and inequality, etc. Capitalism will never let us see that the historical succession of the regimes of accumulation, what is called "crisis," i.e. the transition from one to another of these "epochs" - the crisis "is when things change," and what changes in a crisis is the overall coherence of a regime of accumulation.

Now, there is necessarily a crisis since capitalist social relations are expressed in a certain set of institutional forms which are intrinsically contradictory, and these institutions are able to temporarily accommodate these contradictions; this is the "regularity" which lends its name to the theory. Therefore, the regime of Fordist accumulation for example, which relies on the extraction of the gains of productivity by extending the series, encounters its limit when domestic markets reach saturation. They request and apply for renewals of initial equipment provisions - less homogeneous which demand a shorter and differentiated series. Thereby contradicting the structures placed in industrial organisations, and disrupting their own regime of productivity. Seeking to extend Fordist logic by replacing exports with domestic consumption only increases the destabilisation of the regime; whose macroeconomic closure was founded on the strong and steady growth in wages. Virtuous, perhaps, in a self-centred growth pattern where the solvency (*solvabilisation*)⁷ of domestic consumption was critical; yet caught in an awkward position when the economy opens beyond a certain threshold, and is engaged in a game of cost competitiveness. In a typical illustration of Marx's dialectical intuition, Fordism dies in having succeeded too well. It's the very same functioning in the structure which in the long term has "twisted" its constitution until ... it arrives at a critical point where ancient coherence is ruptured.⁸ Similarly, the neoliberal regime is in jeopardy, since having licensed everything to capital markets, and,

7 By "solvabilisation" of consumption, we should understand the total cash flow (wages and income transfers) that contribute to the formation of a "solvent" demand (i.e. have the financial means to express) of households.

8 Lordon 1995 (2002).

thus, having left finance to expand its operations to the point where the accumulation of risks and debt (public *and* private) is no longer manageable. It is no longer able to find processes of resolutions in a succession of massive defaults which are extremely destabilising (the default of US household credits on their *subprime* mortgages, defaults on sovereign debt in Greece).

Incidentally, the neoliberal regime of capital accumulation demonstrates that we could not do better than that which analytically separates the crisis, conceptualised as rupture of an ancient schema, adhering to the accumulation of capital as "the crisis-[is]-when-it-goes-badly." Mass unemployment, as well as inequalities, or precarity, are no indication of a "crisis" - which have lasted for over 30 years? - they are *permanent* characteristics of this regime, stable products of the installed coherence - in effect for over 30 years... It is obviously not that the crisis can only come from this regime of capital accumulation - no one is exempt, and contemporary events testify as much. But, precisely, the production of the crisis in the neoliberal regime of accumulation⁹ is not founded on the components that have run for decades in ordinary discourse on the notion of "crisis": these are exceptional destabilisations¹⁰ produced by the functioning of the structure - notably in the financial market sector - and the structure itself is no longer in a state being accommodating: since the subprime mortgage shock of 2007, in effect, we could say that the regime of neoliberal accumulation has entered a crisis.

But it only just *entered*. So what needs to be done for it to be properly installed? There must be the effective driving forces of change - that is to say of institutional transformations likely to deliver a new "coherence" of all capitalist accumulation. As Régulation theory has perpetually highlighted, it is perhaps in this kind of argument that halts the powers of pure macroeconomic analysis; since the process of transforming institutional forms fundamentally remain the responsibility of political practices.

This means that uncertainty has inaugurated a phase of large-scale destabilisations, which could lead to a variety of reconstructions; yet relegated to a game of unpredictable power relations *ex ante*. As well as giving rise to attempts (by those dominant!) to somehow accommodate the differences so as to maintain all that could be saved from the previous system - against the backdrop of the desperate efforts of current governments to disengage from the prerogatives of capital

9 Which we could name, more accurately, but more circuitously: "predominantly financial deregulation of capitalism"

10 Exceptional in terms of magnitude of changes in macroeconomic parameters (drop in growth, deficits, debts ...) and financial (massive devaluation of certain assets).

markets, in an attempt to submit to the normalisation of economic policies (imposed by rating agencies), which profit from the seismic shocks in order for the neoliberal agenda to make unprecedented gains: cuts in public and social budgets, “golden rule” budgets, deregulation of all kinds in the name of flexibility and competitiveness, etc., that is to say, the paradoxical intensification of the model that has been the cause of a shock which has been off the scales in the history of capitalism ... Therefore, in general terms, what are the forces that come in and decide, in this indeterminacy, to subvert the course of institutional processes in one direction or another? A Spinozistic¹¹ social science returns the following answer: it is the collective affects.

A philosophy of crises as passionate events

By adopting the theoretical term of affects we emphasise that the crisis is not completely constituted only until we have inscribed it, as such, in the minds (*dans les esprits*). This is not to yield to an extreme form of constructivism which would reduce the phenomena of the social world to a pure game of creative representations detached from any objective anchor. Instead, it is to indicate that a given state of society, for example the one that follows the sequence <systemic risk / credit crunch / recession / deficits / austerity policies>; produces its effect only through the mediation of the collective affects conforming to an elementary sequence. Which, in Spinoza’s Psychological Theory, leads from an affection (an external meeting) to an affect (the effect of this meeting simultaneously in the body and the mind) and from this affect to a redirection in the power of momentum of the *conatus* (which therefore gives force in a determined way). Watch a news broadcast reporting on a factory closure, read about the rising unemployment statistics, and simultaneous increases in financial bonuses, notice how many more poor people there are in the streets, or else receive your own redundancy letter: these are encounters of things, affections, and in the first instance these are affections of the body: seeing, listening, reading. Spinoza names affects as the changes in the power of action of the body, and the formation of the idea that simultaneously results out of this affection (Eth., III, def. 3). This simultaneity indicates the bivalence of affects as both bodily and mental events. An expression, from elsewhere, of the profound union of body and spirit (*esprit*). We ought to see that the ideation of a phenomenon is inseparable from the passionate life, and is, in fact, one of its manifestations. There is no need to establish, as current thinking would have it, the different orders, or even less antinomies, between “the ideas” and “the passions”: there is no idea that is formed out of an antecedent affection and in its neighbouring affect. Which is why evoking affects as a mediating term between the affections (socio-

11 cf: Citton & Lordon 2008.

economic), and the movements of body agents (which is to say the reactions which supports any particular political dynamic), is not a return to an obscure universe of crude and thoughtless passions, but to enter into complex formation of passionate-ideations where the passionate support of the contents of ideation are themselves those which determine the movements of the body, both individually and collectively. The bodies are driven only after having been affected. Therefore, the general question is, and especially the political question, is how to know in what ways such affections produce such differentiated affects.

Evidently, nothing justifies the assumption that the same affection affects us all identically. Spinoza even explicitly says the very opposite: “*different men can be affected differently by one and the same object; and one and the same man can be affected differently at different times by one and the same object*” (Eth. III, 51).¹² This is so because the affections are, so to speak, refracted through the affective complexion of individuals (or what Spinoza terms their *ingenium*). Now, the exposure of the fundamental mechanisms of formation of the individual *ingenium*, as sedimentary traces of past affective experiences,¹³ call upon their extension, in the case of sociology, which reflects the individuals by groups of similar experiences, from which would result the formation of *ingenia* for similar parts.¹⁴

Through the breadth of social stratification, the affections of the economic crisis are refracted differentially for different classes of *ingenia* in order to produce their varied affective-ideations - that is to say their political effects. Therefore, could we not say that the situation of the crisis is completely constituted only at the moment when the state of affairs, determined through *ingenium*, differentiates itself from the social fabric of the common affects of refusal. By way of a creative tautology, which is characteristic of the social world, there is a (full) crisis when, in a given affective economic condition, the majority forms the affective-ideation that there is a crisis.¹⁵ This does not plunge us into the pure arbitrariness of a totally self-referential constructivism, but, rather, to emphasise the degree of indeterminacy which follows the mediation of

12 Spinoza 1994, p.180.

13 For instance on the theme of the trace and the tracing in Spinoza’s theory of *ingenium*, see: Vinciguerra 2005.

14 ‘Parts’ since it always remains in the biographical trajectory of an individual set of idiosyncratic experiences, so if sociologically close, two individuals can never have a quite identical *ingenia*.

15 The formation of such a majoritarian affective-ideation is not, however, self-evident; and it would require, in all likelihood, and case by case, the exposure of the social mechanisms that determine such a formation: intra-individual mimetic influences, where the direction of authority is passed through the agreed interlocutors or opinion prescribers, which is to say, they refer to the poles of concentrated symbolic capital, etc.

the affects, according to Spinoza's statement in *Eth., III, 51*. It is for this reason that we are unable to locate, *a priori*, the rupturing threshold that would maintain the diagnosis in the register of economic conditions (the, statistically documented, state of economic affairs). Recall the prophecy which was prevalent at the beginning of the 1970s, in Pompidou's France, announcing "the explosion of French society" if unemployment surpassed 500,000; with hindsight we know that was ridiculously wrong... Undoubtedly, since the increase occurred gradually (and no doubt for a multiplicity of other reasons), the economic affection of mass unemployment did not produce an affective-ideation collectively powerful enough to arrive at the opinion of the threshold of the intolerable. One suspects that there must exist somewhere an unemployment rate (15% ? 25% ? but 25% is the rate in Spain... it has not moved (still); we need more?) that would eventually lead social unrest aimed at large-scale riots - and finally substantial political changes. Yet, no one can say where the critical point is exactly, whose location is not given *ex ante* but emerges endogenously - during the process. In the same way, one is struck by how the capacities of the different social bodies, for example in France and the US, are able to tolerate a certain level of inequality; and again it is the collective *ingenium* which manifests its tolerances and intolerances.

And the various collective *ingenia* may be affected differently by a single economic condition, and one collective *ingenium* can be affected by a single economic affection in different ways at different times. What are the collective affects of the condition of the *credit crunch*? What will the economic downturn and austerity policies produce? This is the question that remains hanging, the becoming-crisis of this situation; which is to say the contingent birth of a collective of passionate dynamism with sufficient power to achieve a transformation of the (political) institutions of capitalism - and a change in the regime of accumulation. Similarly, the question of whether the present state of the economy qualifies as a crisis *in* capitalism, i.e. where the stakes would be delimited by the passage from one regime of accumulation to another, or as a crisis *of* capitalism, remains totally open. Nothing can exclude - and yet nothing makes it necessary either - that the question of capitalism itself, and the opportunity to surpass it, is biased in favour of existing (dis)orders. A simple crisis of the regime of accumulation could mutate into a crisis of capitalism itself, if, as a result of these economic affections, the idea of forming a majoritarian affective-ideation crossing the intolerable threshold is understood as having to do with capitalism itself. And if one day this terminal event is to occur, it will first take on the guise of a crisis of the regime of accumulation, in some ways the crisis of too much, packed with affective amplification of unprecedented intensity.

A critical dynamic is launched only by the formation of collective power determined to transformative action. And this formation of power itself is only constituted under the influence of common affects

that are sufficiently intense. These affects have to do with the limits of the intolerable, of "what cannot last any longer." But the extension of the "what" is the object of judgment, and the intensity required for it to be judged "can no longer continue," are immune from a certain *a priori* knowledge. When the conditions of economic affairs transform themselves into a crisis, they demand the knowledge of what affects these affections will produce. For their fortune and their misfortune, power lives in this uncertainty. Power shelters in the plasticity of the social body whose tolerance and capacity for accommodation can extend a remarkably long way; or, the social body lives under the perpetual risk that its ability to cross the invisible threshold is already realised too late. Since the subprime bubble burst in 2007, five years of serious economic chaos has not yet decided on the final orientation of affairs. The question that remains open is whether this set of economic and social conditions will be determined by the lack of large-scale collective movements, and will instead only give rise to individual sorrows or sporadic movements without results; put another way, the result of collective affects yielding only limited concessions in the style of Roosevelt's New Deal which remains in capitalism by reconfiguring the regime of accumulation. Or instead triggering the formation of a collective revolutionary power - the "catastrophe" ?

Translated by Sinan Richards

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