

INFORMATION TO USERS

This manuscript has been reproduced from the microfilm master. UMI films the text directly from the original or copy submitted. Thus, some thesis and dissertation copies are in typewriter face, while others may be from any type of computer printer.

The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleedthrough, substandard margins, and improper alignment can adversely affect reproduction.

In the unlikely event that the author did not send UMI a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.

Oversize materials (e.g., maps, drawings, charts) are reproduced by sectioning the original, beginning at the upper left-hand corner and continuing from left to right in equal sections with small overlaps. Each original is also photographed in one exposure and is included in reduced form at the back of the book.

Photographs included in the original manuscript have been reproduced xerographically in this copy. Higher quality 6" x 9" black and white photographic prints are available for any photographs or illustrations appearing in this copy for an additional charge. Contact UMI directly to order.

U·M·I

University Microfilms International
A Bell & Howell Information Company
300 North Zeeb Road, Ann Arbor, MI 48106-1346 USA
313/761-4700 800/521-0600

Order Number 9236401

**The economics of violence: On the relations between power
structures and economic systems**

Brün, Michael Joram, Ph.D.

University of Illinois at Urbana-Champaign, 1992

Copyright ©1992 by Brün, Michael Joram. All rights reserved.

U·M·I
300 N. Zeeb Rd.
Ann Arbor, MI 48106

THE ECONOMICS OF VIOLENCE: ON THE RELATIONS BETWEEN
POWER STRUCTURES AND ECONOMIC SYSTEMS

BY

MICHAEL J. BRÜN

B.S., University of Illinois at Urbana-Champaign, 1977

M.A., University of California at Riverside, 1980

M.S., University of Illinois at Urbana-Champaign, 1984

THESIS

Submitted in partial fulfillment of the requirements
for the degree of Doctor of Philosophy in Economics
in the Graduate College of the
University of Illinois at Urbana-Champaign, 1992

Urbana, Illinois

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

THE GRADUATE COLLEGE

APRIL 1992

WE HEREBY RECOMMEND THAT THE THESIS BY

MICHAEL J. BRÜN

ENTITLED THE ECONOMICS OF VIOLENCE: ON THE

RELATIONS BETWEEN POWER STRUCTURES AND ECONOMIC SYSTEMS

BE ACCEPTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR

THE DEGREE OF DOCTOR OF PHILOSOPHY

Marianne A. Fisher

Director of Thesis Research

David Or

Head of Department

Committee on Final Examination†

Marianne A. Fisher

Chairperson

Peter Schwan

Paul Wills

† Required for doctor's degree but not for master's.

© Copyright by Michael J. Brun, 1992

ABSTRACT

This thesis examines force as a means of acquiring goods and services. Anthropological evidence indicates that resource scarcities and human wants do not suffice to dictate that economic activity be as intense as it appears in most modern societies. The use of force for exploiting the labor of others can lead to intensification of economic activity beyond what might be predicted from environmental conditions. Even more activity is needed to construct and maintain a social apparatus that regularizes the relations between producers and exploiters and also defends it from other exploiters. Tribute societies are discussed to explore the basic dynamics of violence. Slave societies are discussed with attention given to the supervisory, eventually bureaucratic middle layer between producers and exploiters arising with exploitative intervention in production. Gaining control over production rather than just over products gives exploiters essential competitive advantages. Capitalist societies are discussed to develop the intricacies of power and institutional structure. It is shown that power depends on a complex of trust, fear, and other forms of knowledge to maintain solidarity within groups and distinction between groups. The economic structure of enterprises, banks, etc. is not distinct from this power structure; rather the two structures are intertwined. Hence, like most others, economic institutions serve a number of purposes simultaneously, and in general do not optimize the attainment of any single purpose. For the same reason, attention to individual rationality can be shown to be insufficient --too reductionist-- to explain macroeconomic phenomena. A sufficiently stable and understood political order is essential to the development of relevant macroeconomic theory and policy.

ACKNOWLEDGEMENTS

I thank Marianne Ferber for her many years as my advisor. Sooner than may be expected, I will miss the dreaded care she took in reading the drafts leading up to this thesis. The rigor with which she prepared me for certain critics is a credit --probably undeserved-- to those critics. I am grateful also for the encouragement that came with the criticism, and particularly for the decisive support she gave my topic when I first nervously proposed it. I thank Peter Schran for his insightful comments, his support, and for many valuable references. I thank Paul Wells for his support, and for helping me outgrow a somewhat unhealthy early preoccupation with neo-Ricardian theory. All three in my committee have had more impact on my development than the sporadic contact I maintained with them might suggest.

Formal and informal discussion groups have been a major part of my education. Thanks go to Humberto Maturana and Heinz von Foerster for their enthusiastic yet poignant approach to systems theory; to Tina Escobar and Robert Hall for introducing me to a local chapter of "Science for the People" many years ago; to Peter Hudis for drawing my attention to a Marxist-Humanist discussion group a bit later; to Radhika Balakrishnan in memory of Joseph Phillips for introducing me to his study group on Marx's Capital for what turned out to be the last year he led it; and to Ioannis Koutalos and Lefteri Tsoukalas for helping organize the somewhat eclectic "Urbana-Champaign Study Group" in which the earliest draft of some chapters of this thesis were discussed. Ioannis provided me with some

recent sociological references, and raised a number of methodological questions. Lefteri, a most pragmatic dreamer, weaned me off the typewriter and on to word processors.

I thank the Economics Department at Illinois State University, and particularly Adil Abdalla and Rajeev Goel, for giving me the opportunity to test ideas in three seminars I gave there on topics related to the thesis.

I benefitted greatly from long term exchanges with Maha Abu-Ayyash, Chaker Ayadi, Suna Barlas, Earl Brown, Arun Chandra, Robin Cohen, Apala Egan, Mark Enslin, Jeff Glassman, Piotr Górecki, Joy Gyorgyfalvy, Megumi Inoue, Keith Johnson, Maria Maso, Lina Massad, Robert Naiman, Susan Parenti, William Parsons, Maria Pease, Rachel Rubin, Maria-Isabel Silva, Mark Sullivan, Nassrin Tootoonchi, Theodore Tsoukalas, Candace Walworth, and Sarah Wiseman.

I would also like to acknowledge the support I enjoyed while a student in Biology from Ellis MacLeod at the University of Illinois at Urbana-Champaign, and from Rodolfo Ruibal and Clay Sassaman at the University of California at Riverside.

I want to acknowledge the support of Manni Brün and Herbert Brün as colleagues, and dedicate this thesis to them as parents. Or is it the other way around? And its dedicated to Stefan Brün too, who has nothing to do with it!

CONTENTS

INTRODUCTION.....1

CHAPTER 1: FORCE, SURPLUS, AND LEISURE.....23

CHAPTER 2: FORCE AND EXPLOITATION.....41

CHAPTER 3: THE ORGANIZATION OF PRODUCTION.....58

CHAPTER 4: THE MAINTENANCE OF POWER.....75

CHAPTER 5: ISSUES IN THE SOCIOLOGY OF POWER: KNOWLEDGE,
TRUST, AND CLASS.....98

CHAPTER 6: CONSEQUENCES FOR ECONOMIC THEORY AND POLICY.....110

REFERENCES.....126

VITA.....132

INTRODUCTION

Power has been contemplated by social thinkers for centuries. The combination of obvious and elusive aspects has made it an attractive subject for philosophers and sloganeers alike. Its importance in human affairs has made its study part of political science, sociology, anthropology, theology and psychology; it has also made it a key theme in drama, literature, and criticism. In modern economics, by contrast, discussion of power is muted, and power itself is often relegated to the rank of a disturbing factor that affects the workings of the 'pure economic system' only from the outside.

Mainstream economic theory is based on the confrontation of individual wants with limited supplies of goods to satisfy them. Thus the structure of the theory is based on the logic of individual choice. At the same time, however, as this logic is treated as practically sufficient for understanding the whole of society, its application is generally limited to production, consumption, and exchange. An application in the direction of the exercise of force, for example, is forestalled by an invocation of a 'night watchman state', which is supposed to have a monopoly on power and exercise it only to keep order in the marketplace.

In the following chapters, by contrast, power --particularly power based on force-- is presented as a key formative element of so-called civilized societies. Its use for purposes of exploitation, specifically, is a major determinant of the structure of the economy. The power relation between exploiters and the exploited causes the exploitative transfer of wealth or productive capacity. It also maintains distinct subcultures in the society

with distinct approaches to individual and group survival. But there is more to it than that. In all except casual tribute collecting economies, in which exploitation takes the form of more or less regular confiscation unaccompanied by any kind of supervision, the use of power in the interest of exploitation always modifies the organization, even the technology of production. Each time the organization of exploitation or its intensity changes, it means new ways of life; and new social groups and classes arise, sometimes displacing older social formations. The interplay of power and production in this process is so pervasive that it cannot adequately be described by economic, technological or voluntaristic models.

There is no way around the fact that introducing power into economic theory suggests a deficiency in previous theories, at least by implication. If power is so important, why was it so neglected?

We will not actually prove that power is important, but merely assert that it is. The historical record provides plenty of material in support of the assertion. In fact, one of the greatest achievements of political economy has had to be, on the contrary, to combat the popular prejudice that power is without limits, that the ruler could do everything desired or imagined. What we will show is that current mainstream economic theory, along with some of its predecessors, has tended to go too far in its conception of the limits of power, to the point that power practically disappears from their discussion. In chapter 1, definitions of power are presented, along with a brief account of the debate on its limits. In addition, it is shown there that the influence of the natural world, particularly in the form of resource scarcity, does not,

contrary to what is implied in mainstream theory, alone suffice to explain existing societies and their economic structure.

Not all schools of economic thought neglected power. The physiocrats, for example, were explicit about exploitation, and went so far as to evaluate alternative modes of production --small-holder farming and plantation agriculture-- from the point of view of extracting a surplus for the state.¹ They were also explicit about the necessity of collecting such a surplus to maintain armies and thus maintain power. The mercantilist pamphleteers emphasized this as well: trade should be used to collect gold with which armies could be paid to enhance the ruler's power and glory.

Classical theory is generally vague on power, perhaps because its authors preferred to think of the state, to use Hobbes' terminology, as a commonwealth by institution (by agreed upon representation) rather than by acquisition (by imposition from a ruler).² The existence of rentiers was recognized, their legitimacy and economic function --for example that of abstinence from consumption-- hotly debated by Malthus and Ricardo, but the basis of power that maintained rentier existence was hidden behind property and the defense of all property by the state for the benefit of everyone's prosperity and security. Note that the classical debates were

¹Marguerite Kuczynski & Ronald Meek, eds., Quesnay's Tableau Economique, MacMillan Press and Augustus M. Kelly, Publishers, 1972, p. 8 and p. 20. The notes on p. 20 fall just short of distinguishing exploitability from productivity: "In the absence of gains or wages . . . the common people in the countryside may generate for their subsistence certain very low-priced products which do not demand expenses or protracted labour, and which one does not have to wait a long time before gathering in. But these men, these products, and the land on which they are grown, are worth nothing to the state." The following text, however, suggests no cause other than availability of resources in determining the farmer's output.

²Thomas Hobbes, Leviathan [1651], Michael Oakeshott, ed., Collier Books, 1962, p. 133.

about the income that should go to property, and not about the legitimacy of property itself. Classical economists may not have denied that property was historically acquired through the exercise of power, but would have held that this exercise of power was worthwhile only because the property in question, i.e. land, already was a scarce resource. According to this thinking, the only issue to be resolved through the exercise of power is who will get the scarcity payment, an issue that did not seem to merit the attention of economic science. The exploitative use of power, aside from the "anomalous" case of monopoly, faded from the political economists' consciousness.

The segregation of power from economic analysis may well be a long term influence of the concept of social contract on thought about civil society, stemming particularly from the thought of Locke and Rousseau. Both these writers dwell on power based on consent of the governed. This consent serves, however, more as a normative premise than as an outcome of positive analysis. The only real positive element derives from their preoccupation with refuting church dogma, especially the dogma of monarchy by divine right. Since the ruler's power does not come from God, where does it come from? Where else but from the consent of the governed? Locke is relentless on this theme. By the time he allows that the consent of only *some* of the governed may be enough from an objective standpoint, he is only interested in emphasizing that it is not enough from a moral standpoint.³

³John Locke, Two Treatises of Government, Book II: An Essay Concerning the True Original, Extent and End of Civil Government [1690], J. M. Dent & Sons, 1924. See e.g., ch. XVI, "Of Conquest" to get the flavor of the argument.

Rousseau is mainly interested in explaining how the "general will" can find expression in different forms of government. But since the general will is an abstract concept, he has more room to maneuver than Locke.

Apparently not all need a voice for the general will to be expressed, or at least, voices need not all be equally represented.⁴ Again, though, Rousseau does not explain how the general will gets its force, or why anyone should care about it. He seems satisfied that as a doctrine it provides an alternative to divine right.

The issue here is not so much these writers, but the way they have come to be remembered. At the time they wrote, the point was to criticise church doctrine --risky enough-- and perhaps to sneak in a few republican ideas. In their commitment they did stray, not only from Hobbes' stark visions, but also from the kind of agnosticism displayed by Montesquieu, who contented himself with describing the customs and attitudes appropriate to each of democracy, aristocracy, monarchy, and despotism, without explicitly favoring any one kind of regime.⁵ But they must have been aware that they were groping toward a political order that did not yet prevail.

Their unintended legacy, however, is the impression that what they hoped for (most likely much more than they hoped for) has been achieved. For the purposes of much economic theory, it has been supposed that all

⁴Jean-Jacques Rousseau, The Social Contract [1762], Washington Square Press, New York, 1967. Book IV contains his rather admiring description of the government of the Roman Republic, including the division of people into classes that were then very unequally represented in the legislative bodies -- e.g. the *comitia centuriata*.

⁵Baron de Montesquieu, The Spirit of the Laws [1748], (trans. by Thomas Nugent revised by J. V. Prichard), D. Appleton and company, 1900. See especially books I-VIII.

power has been given up by citizens to the state, and that this power is exercised by the state only in highly stereotyped ways according to a formally determined popular mandate. But this is not true.

Marx brought power back into view, most explicitly in his discussion of "primitive accumulation"⁶, where the rise of a new, entrepreneurial middle layer between farm laborers and landed proprietors is also indicated. But although the role of force in the establishment of capitalist property relations is vividly described, it ceases to play such an active role in Marx's analysis of capitalism itself. This is perhaps a reason for splits among Marxists between those who focus on Marx's economic modeling with the various "laws of motion", and those who emphasize his approach to history and prefer to focus on class struggle. Much controversy around the labor theory of value might have been avoided through a fuller consideration of power and the ways in which it can be exercised. Once it is seen that all exploiters have the "Keynesian" power to create market demand without themselves bringing anything to sell, to influence the rate of profit, and, both directly through supervisors and indirectly through economic pressure to influence the technology and organization of production, then it becomes obvious why labor value is an insufficient determinant of price, and also an insufficient measure of exploitation.⁷ For the same reason, the bases upon

⁶Karl Marx, Capital, Vol. I [1867], (Ben Fowkes, trans.), Vintage Books, 1977, chs. 26-29, pp. 873-907.

⁷See John Roemer, A General Theory of Exploitation and Class, Harvard University Press, 1982. He presents a theory of exploitation that completely bypasses the labor theory of value and is based instead on differential endowments, and in the particular case he refers to as "capitalist exploitation" on differential endowments of alienable property. He demonstrates the possibility of capitalist exploitation in the case of independent producers with no labor market where there is a commodity market with different techniques of production, or where there is a credit market. He emphasizes, however, that he deliberately keeps his modelling simple so that his results be

which the existence of exploitation is demonstrated do not suffice to calculate its magnitude; and more significantly, exploitation itself appears as an inadequate concept to cover the kinds of oppression associated with an exploitative economy.

To think of exploitation as the ultimate objective of the dominant class in a society may be a good first approximation. To think of it as the main effect on the subordinate classes is not. Especially in chapter 4, where the maintenance of exploiter power is discussed, and in chapter 5, which discusses in more detail the social relations that constitute power, it will appear evident that the transfer of wealth that formally defines the relation of the exploited to the exploiters is in itself only one of many conditions that affect the life of the exploited. The oppression that to a greater or lesser degree comes with exploitation may be more significant and burdensome than the exploitation itself. The fact that oppression frequently appears as a necessary part of the apparatus for the maintenance of the power to exploit does not allow one to equate oppression with exploitation.

A word should hence be added here on the use of the term "exploitation" in this work. We use it in Marx's sense insofar as we refer to a net economic transfer from one group of people to another. However, we do not claim to be able to measure the size of the transfer --i.e. the concept is not tied to any particular theory of value. But then how do we determine in general that a net transfer is taking place at all? In some cases, such as in coerced tribute, it seems obvious; but what about "unequal" exchange and

comparable to those of other 'classical' models, and that he does not deny the possibility for secondary loci of exploitation, such as, for example, at the point of production.

the extraction of surplus from wage labor? Here we accept a subjectivist criterion: a transaction freely agreed upon by all parties is not exploitative. A transaction that takes place without the free consent of all parties, on the other hand, may be exploitative. Thus exploitative transactions require oppression; but oppression is not necessarily limited to exploitation.

When we go beyond evaluating a particular transaction to consider a whole social order, we run into some problems. We can say the social order is exploitative if it can be shown to rely for its existence on exploitative transactions, even if many non-exploitative transactions occur in it as well. Such societies are the subject of this work. But what about societies in which exploitative transactions take place, none of which however form a constitutive part of the social order? Can such a society really exist? If not, does that mean that one exploitative transaction is sufficient to characterize the whole society as exploitative? I would tentatively hold a basically non-exploitative society to be possible, though not necessarily robust over long periods. A society in which no exploitative transactions ever occur, on the other hand, seems a bit beyond the pale. This means that some care needs to be used in characterizing actual societies. Exploitation may be seen in all of them; so the question that needs to be answered for each is: how important is exploitation to the very form of that society?

Unfortunately, in this work we limit ourselves to describing social arrangements as if we already know them. We do not explore the important empirical issue, namely, how would an investigator go about determining the importance of exploitation in a particular society? We stated above that exploitation implies oppression. That is part of the definition. But by default

--that is, failure to consider a contrary case-- we at least act as if we assume that oppression implies exploitation.

Oppression could exist for its own sake, for the sake of exploitation, or for the sake of maintaining discipline and order for everyone's benefit. In this work, the emphasis, as just noted, is on the second possibility, though the first is never explicitly eliminated. The discussion of scarcity in chapter 1 is important for justifying the neglect of the third possibility. If people suffer from the "niggardliness of nature", that ought not be considered exploitation, not necessarily even if it gives rise to oppression. If the oppression and inequality existing in a society turn out to be no more than that required as the best social response to scarce natural resources, then that society should not be held --as it could be under the above definition-- exploitative. It will be argued in chapter 1, however, that natural resources are not likely to be responsible for the oppression, and hence for the exploitation we see. Under those conditions, our "contingent" definition of exploitation based on involuntary transfers holds.

The marginalist school has been the most extreme in its neglect of power. This has two aspects. The first aspect relates to its emphasis on decision theory. Given a set of alternatives, decision theory teaches how to choose; but it is silent on how a decision-maker comes to confront that given set of alternatives at a specified moment. Indeed, it has little to say on how people learn to discern alternatives. Decision theory, and marginalism, are avowedly forward looking. Power, however, can only be documented in retrospect. It is interesting to see that decision theory can teach much that is valuable to learn while contributing nothing to the description of past

events. Admittedly, this may point not merely to a shortcoming of decision theory, but also to shortcomings of descriptions.

The second aspect is the relation of marginalist theory to liberal ideology, associated with the assertion that capitalism is an economic system in which power based on force plays no role. In one of very few articles in the neo-classical tradition to address the issue of power, Böhm-Bawerk argued that any attempt by power to interfere with the market mechanism, e.g. to control prices, would sooner or later be circumvented by the market itself.⁸ With this he hoped to refute the Marxist assertion that there is exploitation under capitalism. What he actually did show is that the market is a relatively poor target for power. He neglected to mention that endowments and entitlements were much more amenable to manipulation through power, and that the pattern of such endowments and entitlements is at least as vital to the characterization of capitalism as is the presence and nature of the market. Schumpeter, not generally considered a neo-classical theorist, grasped the possibility of manipulating entitlements and endowments, but seemed to feel that the use of non-market power would die out, and with it eventually the distribution of wealth and privilege based on anything other than productivity and economic prowess.⁹

⁸Eugen von Böhm-Bawerk (1914). *Macht oder ökonomisches Gesetz?* Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung, Vol. 23, pp. 205-271.

⁹Joseph Schumpeter, Zur Soziologie der Imperialismen, Verlag J.C.B. Mohr (Paul Siebeck), Tübingen, 1919. Mommsen has criticised Schumpeter for identifying capitalism with liberalism, and for seeing the monopoly capitalism of his time as resulting from temporary holdovers of feudalism. He notes, e.g., that Schumpeter failed to consider "free trade imperialism", an informal kind of colonial expansion characteristic of British practice up to the last quarter of the nineteenth century. See Wolfgang Mommsen, Theories of Imperialism, (P.S. Falla, trans.), Random House, 1980.

More than anything else, perhaps, the neo-classical preoccupation with equilibrium reinforces the neglect of power. The image of the economy as an automatically self-correcting mechanism cannot be reconciled with the mechanisms associated with power relations. Not surprisingly, the two main critical currents that have arisen in response to the shortcomings of neo-classical theory, the institutionalist and Keynesian, base themselves upon this dissonance.

Veblen was the most adventurous of the institutionalists, attacking the utilitarian basis of neo-classical theory and emphasizing the maintenance of class distinctions and relations of power and prestige as a characteristic of the capitalism he knew.¹⁰ Where most economists saw a mechanism, Veblen saw a contemptible culture. Veblen's approach was so much at variance with that of other economists that they did not know how to (and mostly did not want to) integrate his work with theirs. His work is generally better appreciated by anthropologists and sociologists. Even institutionalist economists have not followed him, but have restricted themselves to showing that not all power emanates from property ownership. Berle and Means¹¹, for instance, explored the distinction between ownership and control in modern corporations, and others, such as Galbraith¹², have followed up with theories of modern capitalism in which the entrepreneur is replaced by a new technical or managerial elite.

¹⁰Thorstein Veblen, The Theory of the Leisure Class, Viking Press, 1967.

¹¹Adolf Berle and Gardiner Means, The Modern Corporation and Private Property [1932], Harcourt, Brace & World, Inc., New York, 1968.

¹²John Kenneth Galbraith, The New Industrial State, Houghton Mifflin Co., Boston, 1971.

Keynesians have focused on the importance of credit and finance, and criticize neo-classical theorists for viewing money as nothing more than a facilitator of exchange, a "veil". Rather than an equilibrium system, Keynesians see capitalism as an economy in which the level of activity depends upon investment and credit. Banks and the state can create credit and provide money for investment. The fact that they can do this reflects their power, and also the non-commodity nature of money in such a system. Although monetarists have pointed to limits in the effectiveness of this money-creating power, they have never denied it exists. Quite the contrary, they briefly bemoan its existence, and then try to find ways to restrain its exercise. The Keynesian rejection of equilibrium theories stems from the recognition that the exercise of power through credit creation and investment is not necessarily linked to property endowments; and this aspect of Keynesianism seems also to be what neo-classical theorists find particularly subversive.

The neo-classical response was to insist upon the importance of equilibrium to economic thought; and there were some from the Keynesian side who were ready to oblige. They tried to show that Keynesian ideas did not necessarily contradict the notion of capitalism as an equilibrium system. Minsky cites the invocation of the Patinkin "wealth effect", the notion that deflation caused by unemployment and falling wages¹³ increases the real value of money balances and eventually encourages their owners to spend and lend, thus reversing business contraction, as a feeble attempt to include selected Keynesian insights about credit and finance in a new "neo-classical

¹³Note that the only trace of Keynesianism left in this last item is that wages fall because of unemployment, instead of unemployment resulting from falling wages.

synthesis".¹⁴ The effect of the synthesis is to reconstruct the notion that the economy will reach or move around an equilibrium at the level where the labor market clears. Power fades into the background.

The protean nature of capital in the neo-classical conception is another result of the obscuring of the role of power in the economy. Sometimes capital refers to certain inputs to production, as distinct, for example, from labor or land. Sometimes it refers to the finance needed to acquire these inputs. Sometimes it refers to the finance needed to get those inputs as well as labor and land. And sometimes it refers to any source of income, such as real estate, bonds, stocks, insurance policies, licenses, etc., that can be bought or sold.¹⁵ A lot of the confusion resulted from the marginalist doctrine that attempted to relate the capacity of the capitalist to extract an income from an enterprise to that capitalist's contribution to production. The "capitalist" may often contribute nothing but entrepreneurship, which is usually distinguished from capital in theoretical discussions, while the bank creates the credit to finance expenditures. The point is not to deny that entrepreneurs and banks contribute to production, but to deny only that they are rewarded according to marginalist principles in a manner that lends coherence to the concept of capital as a scarce resource.

¹⁴Hyman Minsky, Stabilizing an Unstable Economy, Yale University Press, 1986, pp. 133-138.

¹⁵See Joan Robinson (1977), The Meaning of Capital, in Collected Economic Papers, Vol. 5, MIT Press, Cambridge, Mass., 1980. The fact that Marxist and Neo-Ricardian models usually suffer from the same kind of confusion led to even more confusion in the controversies between these schools of thought. At the same time, it suggests that they all leave out the same consideration.

If, on the other hand, power is understood to be a resource, and more than that a scarce resource; or if at least power that can be exercised through finance is a scarce resource, then capital could be equated with power in a manner that should please monetarists. It would remain to be shown how power in money form relates to other forms of power. Although the contribution of power to production may thereby become apparent, it would be quite a separate task to show in what sense power could be said to contribute to welfare. In this thesis, some progress is made in the first task; while the problems in tackling the second task are revealed.

Business cycles have been a favorite topic in Keynesian theory. There are investment cycles as exemplified by Kalecki's models¹⁶, and there are cycles of credit and indebtedness, as in Minsky's recent investigations.¹⁷ To these cycles correspond, more or less, the two "tools" of government, fiscal and monetary policy. But the discussion of these policies suffers from the paucity of explicit reference to the power that allows the exercise of those policies, and the requirements for maintaining that power.¹⁸ Unlike Marxists, most Keynesians do not see the power behind property relations, and it thus does not occur to them to look for power behind the monetary and fiscal apparatus of the banking system and the state, where Marxists, in turn, have not looked too carefully. The importance not only of the entrepreneurs, but also of the bankers in determining the level of economic activity has been recognized. But why the banking system behaves as it

¹⁶Michal Kalecki, Selected Essays on the Dynamics of the Capitalist Economy, Cambridge University Press, 1971; chs. 1, 3, 10, 11.

¹⁷Hyman Minsky, Stabilizing an Unstable Economy, op. cit.

¹⁸A notable exception is Michal Kalecki (1943), Political Aspects of Full Employment, ch. 12 in Selected Essays, op. cit.

does is not completely understood. The failure to recognize the role of power and its maintenance in their actions hampers better understanding. Though business cycles are not discussed further in this work, the ideas to be developed could contribute to such a discussion.

This failure to analyse the credit system in its relation to power is based partly on the prevailing understanding of money. Money is taken to be a unit of account, a store of value, and a means of payment -- all attributes that can more or less characterize any commodity. Money in fact is frequently held to be nothing more than a commodity particularly well suited for commercial purposes because of its durability, divisibility, portability, and restricted availability. These attributes indeed explain why gold or some other precious metal came to be used for money, but they do not explain how money comes to be a form in which power is exercised. The attributes of money *per se*, given above, do help explain why money is useful as an improvement on barter, and allow one to imagine how money could, as is usually suggested, spontaneously arise in a simple commodity economy. However, those attributes are both insufficient, and, particularly as far as 'store of value' is concerned, not all necessary to characterize money in an exploitative economy.

Knapp¹⁹ emphasized the role of money as a means of payment; and based his theory of fiat money on the fact that the state can endow any suitable object that it agrees to accept as payment, e.g. of taxes, debts, etc., with the quality of money. But he did not dwell on the question, how does

¹⁹G. F. Knapp, Staatliche Theorie des Geldes [1899], Duncker und Humblot, 1923.

the state become such an important acceptor of payments? Probably because his attention was riveted to the relation between the state and the bourgeoisie, that is, to a non-exploitative relationship, he missed the importance of exploitation to the completion of his story.

Colonial practice, following that of tribute-collecting and tax-farming economies, often introduced money by imposing, usually through the threat of force, the obligation to pay a 'head tax' on the colonized population. The introduction of money was, if nothing else, a convenient alternative to collecting taxes "in kind". This forced the population to provide goods and services when desired by the colonizers in exchange for whatever currency the colonizers accepted as tax payment.²⁰ Such money is not a commodity in the accustomed sense. Although it perhaps serves all the functions of money described above, although its introduction may lead to a vast expansion of production and market activity as compared with the pre-colonial condition, this is not how it became money. Such money is based on the power to take, deprive, or injure -- not on the power to provide. The relation of money to power can be most directly seen where the means of production are still largely in the hands of the exploited producers.

In modern capitalism, where producers have been deprived of the means of production, head taxes and other levies independent of income and consumption fall away. Producers must now earn money to make a living, but this is not an exploiter imposed obligation anymore. Exploiter force and threat is now directed at the protection of property rights and at the

²⁰See Robert Cox, Production, Power, and World Order, Columbia University Press, New York, 1987; p. 146 & p. 235.

maintenance of control of the means of production and subsistence. It is because workers need money and because capitalists accept it as payment that a currency with no intrinsic use value can serve as money. The key point is that the undeniable convenience of money should not mask the extent to which it may have developed through power and the imposition of artificial necessity on producers.

Recently, however, there has been a revival of interest in the causes of economic phenomena. One approach that relies heavily --and self-consciously-- on neo-classical methodology models the "Social Structure of Accumulation", wherein different sectors of society, such as workers, capitalists, and consumers can exercise a certain amount of power to influence the market relations between them.²¹ The key idea in this approach is that power can manifest itself in the market place by changing the relative costs and benefits of various actions. Policies that expand the reserve army of labor, for example, while cutting back on unemployment benefits increase the costs of losing a job and thus affect behavioral choices of employees. Thus the market is no longer seen as merely a place where resources are exchanged.²²

²¹See Samuel Bowles, David Gordon and Thomas Weisskopf (1986) "Power and Profits: The Social Structure of Accumulation and the Profitability of the Postwar U.S. Economy," Review of Radical Political Economics, Vol. 18, Nos. 1&2; pp. 132-167. See also by the same authors "Business Ascendancy and Economic Impasse: A Structural Retrospective on Conservative Economics, 1979-87," Journal of Economic Perspectives (1989), Vol. 3, No. 1; pp. 107-134.

²²See Samuel Bowles and Herbert Gintis (1983), "The Power of Capital: On the Inadequacy of the Conception of the Capitalist Economy as "Private"", The Philosophical Forum, Vol. 14, Nos. 3&4, pp. 225-245. Here they point out that just because a capitalist has bought labor, or better, labor power on the market does not guarantee the actual performance of labor. Hence the capitalist must exercise power, or rely on the power of others, and thus incurs supervision costs that depend on the social structure. A similar extension of the market to include power, but with a more

Other approaches go even further. Examining actual market phenomena, they reveal much more of what could be called after Chandler "the visible hand" than the anonymous processes that are supposed to provide the basis for equilibrium theory.²³ The events in eastern Europe and the third world may give rise to further work in this area, as experience there reveals that there is a lot more to capitalism than "free markets".²⁴ Meanwhile, problems related to international trade among the developed countries, as well as problems of relations with the third world, have been addressed by a new school of neo-realists in political theory in terms of

detailed categorization of the forms in which power may enter market relations, can be found in Randall Bartlett, Economics and Power, Cambridge University Press, 1989.

²³An excellent collection of such works can be found in Structures of Capital, Sharon Zukin and Paul DiMaggio, eds., Cambridge University Press, 1990.

²⁴In Die Zukunft der DDR-Wirtschaft, Rohwolt Taschenbuch Verlag, 1990, Hajo Riese, "Geldverfassung und Formen des Sozialismus, pp. 106-123," comments that many of the eastern European reformers appear as yet unclear about the importance and role of a central bank, and particularly fail to recognize in monetary and credit policy a form of economic planning -- this partly because of allergy to central planning. In the same volume, Elmar Altvater, "Markt oder Plan -- eine falsche Alternative, pp. 28-47," argues that a market economy and a democratic political order by no means necessarily go together, but are not mutually exclusive either. For him, the key to combining the two is recognition of the continued necessity of planning to give direction to the market, the necessity of maintaining the "primacy of the political." Here his conclusions closely resemble those of Samir Amin, who in Delinking (Michael Wolfers, trans.), Zed Books, Ltd., 1990, argues that the world market, created by the central imperialist powers, will force peripheral countries along paths of development that maintain their peripheral and dependent status *vis-a-vis* those central powers. He uses this dependency theory to argue against the neo-Ricardians and economic Marxists, who base their work on the notion that there is one unique set of values or prices determined by the structure of the economy, and asserts instead that value relations depend on political and historical factors beyond those considered in the competitive model of capitalism characteristic of "classical" Marxism. A politically independent regime can pursue a strategy for development quite different from those appearing economically feasible within the world market, if the economy is sufficiently delinked from the world economy to maintain its own "law of value" -- by which is meant its own set of relative prices.

hegemony, and according to which part of every game is the struggle to determine its rules.²⁵

The importance of power relations to each of the economic issues briefly surveyed above should be apparent, but require much closer study. In this work, however, a step backward is taken to first examine the basic social and economic aspects of power in a somewhat schematic way. Rather than just invoking power, the purpose here is to explore its basic dynamics and the social forms it gives rise to. Rather than examining the consequences of the exercise of power for this or that specified goal, we dwell on consequences that arise directly from the maintenance of an exploitative social structure, and from the instabilities of such a structure. In other words, survival is the central focus: any use of exploiter power not directed to the maintenance of the power relation is beyond our purview. Another limitation is that only power based on violence or the threat of violence is considered.

Hilferding, writing in 1940²⁶, noted that social science and political debate had long dealt with the role of the state in the economy, but had always viewed the economy as an autonomous system that the state might have more or less effect on. He saw as a new development in the 20th century the complete subjugation of the economic system for purposes of the state. Given the benefit of hindsight from the present time, he might have

²⁵For a critical perspective on neo-Realism, see Robert Keohane and Joseph Nye, Power and Interdependence, Little, Brown and Company, 1977; and also Robert Gilpin, The Political Economy of International Relations, Princeton University Press, 1987.

²⁶Rudolf Hilferding (1940), "Staatskapitalismus oder totalitäre Staatswirtschaft?" in Zwischen den Stühlen, (Cora Stephan, ed.), Verlag J. H. W. Dietz Nachf., 1982; pp. 290-296. See also in the same volume "Das Historische Problem," pp. 298-328.

noted in addition that at least over the long term such subjugation is no easy task; but on the other hand, he may also have come to see the extent to which economies at many points in history were thus "subjugated."

Subjugation, of animals, of people, of systems is always relative: it can only be accomplished on the basis of knowledge of the latter's properties and the skill, organization and resolve to use that knowledge. In addition there is the need to anticipate, recognize and respond to changes. Hence it is as unrealistic to expect a neat harmonious picture of a "subjugated economy" as to expect a real market economy to be at equilibrium.

Nonetheless, the present effort is guided by the conviction that a socio-economic model based on the dynamics of power maintenance and exploitation can be constructed, and that it would be an alternative and improvement over the neo-classical general equilibrium model that, even if not explicitly touted, tends to function as the default image for much research and discussion. The motive is to go beyond harping on the shortcomings of the neo-classical model, which are by now familiar to those interested in the issue, to construct such an alternative. The traditional alternative has been "classical" Marxism, which has been shown to share some of the weaknesses of the neo-classical model in being too "economistic." In fact, it is the joint, nearly simultaneous demise of both the neo-classical and Marxist models that has led to a sense of vacuum, such that investigators either continued to critically adhere to one or the other of these models for lack of an alternative, or abandoned theory for purely empirical inquiry, or else turned their attention to microeconomic problems that do not require a model of the entire economy. The recent upsurge of interest in macroeconomic questions, however, requires that this vacuum be filled.

A brief outline of the thesis follows. The first two chapters are devoted to considering the origins of an exploitative economy. In the first chapter, a schematic outline of an economic structure imposed by force is presented, and followed by a discussion of a variety of perspectives on the relation between force, productive activity, and scarcity. An attempt to obtain an image of a non-exploitative economy for purposes of contrast, and also to evaluate the arguments relating force to scarcity and to the mode of production, is made by referring to anthropological analysis of "primitive", that is, non-state societies. In the second chapter, theories of the rise of exploitative societies are examined, with the conclusion that coalition and organization maintenance are central to the perpetuation of power structures. The third chapter discusses how relations of exploitation affect the development and organization of production. Featured is the formation of a middle layer between the exploiter and producer groups. The fourth chapter discusses the conditions for power maintenance, especially in advanced state societies. Here the importance of group identity and conformity, not only among exploiters but also among sectors of the producer and middle classes is discussed. In this connection, power based on force not originating from exploiters is considered. The fifth chapter takes a closer look at a few of the social relations that constitute power. Methodological individualism is briefly discussed; and the chapter ends with the conclusion that oversimplified conceptions of human wants and needs along with narrow conceptions of scarcity have distorted many economists' image of society. The sixth chapter offers several conclusions. Most important are that no such thing as a pure market economy can exist; that institutions typically serve several purposes simultaneously, and are thus

unlikely to optimize in the pursuit of any one purpose, such as profit; and that concepts of individual preferences and rationality --microfoundations-- are helpful but inadequate for macroeconomic theory and policy. The condition of both theory and policy depends on the degree of consensual awareness of the overall framework of power relations, and the state of that awareness may itself be intertwined with the stability of that framework.

CHAPTER 1: FORCE, SURPLUS, AND LEISURE

Force or the threat of force can yield an income. People can take things from other people. Indeed, a large number of enterprises exist and yield a profit without producing anything, by just collecting the produce of others.¹ Economic theory often ignores such enterprises, since they do not produce, and since they themselves could not persist without production taking place. Somehow, items must first be produced, or at least found and gathered by someone, before they can be taken away by someone else. Here we see a potential division of people or enterprises into two types. This division is not necessarily a cause of suffering if desired items are readily available, or if production does not require much effort. The impact of exploitation is then simply not that onerous. If desired items are not readily available, however, and if production requires considerable time or effort, then a variety of problems arise.

The more the weight of exploitation is felt during its onset, or during a period of intensification, the more likely will it be resisted, and the greater the force required for the would-be exploiter to succeed. The conflict requires more effort and becomes more dangerous. If the increased effort and danger is enough to deter the would-be exploiter, then either exploitation ends and all become producers, or the would-be exploiters

¹ For a recent discussion based on this idea, see Jack Hirshleifer (1991), "The technology of conflict as an economic activity," American Economic Review 81, No.2, pp. 130-134. For an elaborate reconstruction of historical materialism that examines the development of means of violence and surveillance along with means of production, see Anthony Giddens, A Contemporary Critique of Historical Materialism, including Vol.1, Power, Property and the State, University of California Press, 1981, and Vol. 2, The Nation-State and Violence, University of California Press, 1987.

develop new techniques or else organize themselves so that the prospects of their enterprise once again become sufficiently attractive. The problem of deciding to what extent to engage in exploitation instead of production, as well as the determination of the intensity with which to pursue exploitation can be thought of in terms of the marginal cost and marginal benefit analysis of standard economic theory.

Such developments on the side of the exploiters will give rise to parallel defensive efforts on the part of the producers, whose problem can be thought of in a similar way. One might expect this "arms race" to proceed symmetrically, but that is not likely to happen. For producers, the defensive efforts are in addition to productive efforts; exploiters face a wider range of choices in determining the level of effort that should go into aggression. Important here is not only the quantity of effort, but also its time and place. Productive effort is, to a greater or lesser degree, bound to a certain location. It also requires some attention, which detracts from defensive vigilance. In short, the producer is a sitting duck with divided attention. If under these circumstances, the producers still try to stay even with the exploiters, then they must expend more effort, develop more techniques, and achieve better organization than the exploiters, and all that just to defend themselves. After that, they still have to produce. All this merely repeats the old wisdoms that offense is cheaper than defense, and that there are advantages to specialization.

If exploitation requires less effort than production, why do not all producers decide to stop producing and become exploiters? What might still deter them from doing so is that the exploiters' life might be more dangerous

than the producers'. If there are relatively few exploiters, each exploiting many producers, then each individual exploiter probably makes more encounters with producers than each producer makes with exploiters. That depends on whether the encounters are typically one-on-one; and the relative and absolute levels of danger facing the two sides needs to be considered. No general conclusion one way or the other can be drawn here, since no simple statement can be made about relative costs and benefits. A model addressing this issue at greater length is discussed later.²³ It is worth noting that once force is successfully exercised, threats can later frequently take its place, and the relation of exploitation can become custom. Hence the benefits of an exploitative venture may extend beyond the booty obtained in that particular episode.

What can be concluded is that if some producers, perhaps those least deterred by danger, go over to become exploiters, then the danger to the remaining producers and the weight of exploitation on them both increase. One could imagine more producers then crossing over to become exploiters, perhaps until the absurd point is reached where no-one produces anymore. Of course, we have so far only considered force used in encounters between exploiters and producers.

When we consider the use of force between exploiters, that changes the picture. It increases the danger and effort for exploiters. Here we have to note that there is no balancing this against the use of force by producers against each other. To the extent producers use force against each other in

²See chapter 2

3

order to take something away, they become exploiters. The only force we can ascribe to producers as producers is force used for purposes other than exploitation; and these other purposes may well not be affected, at least not in any predictable way, by the intensity of exploitative force. From a quantitative standpoint alone, however, there is no way of telling if the extra effort and danger now seen to be part of the exploiters' life will be sufficient to deter a producer from taking it up.

If the use of force among exploiters is limited to the same purpose as its use against producers, namely to make off with one another's stolen booty, then it is indeed not an interesting consideration. Worth considering, however, is the use of force in order to regulate the number or movement of exploiters, so as to avoid the disaster resulting from overexploitaton. Ultimately, these objectives are part of the overall objective of each exploiter to secure more booty, but they are indirect and a result of calculation. They imply, if not social conscience, at least social consciousness. They indicate the possibility of a variety of complex social structures based on customs and negotiated arrangements.

The purpose in conducting the discussion so far on such a primitive level is to show that force can be a fundamental element in making up an economic system. Furthermore, it is to propose a way of understanding the role of force in economic systems. This is a problem addressed in the debate between Dühring and Engels⁴. For Dühring, politics had to do with power,

⁴Frederick Engels, Herr Eugen Dühring's Revolution in Science [1894] , International Publishers, New York, 1966. The polemic on the force theory (pp. 176-203) is against Eugen Dühring, Cursus der National- und Sozialökonomie einschliesslich der Hauptpunkte der Finanzpolitik, R. Reisland, Leipzig, 1873, particularly the first

and power with force, all very directly. Dühring maintained that the "political act" was the original impulse to the formation of society, and that therefore it is prior to the economic act, so that the logic of economics can be traced back to the logic of politics, i.e. the logic of relations based on force. Engels responded that the purpose behind the forceful acts Dühring discusses is exploitation, and that these acts are pointless until the stage of development is reached where human labor was capable of producing a surplus. Moreover, weaponry, which enormously extends the capacity of people to exercise force on one another, is, beyond its most primitive forms, the product of labor and resources, of economic activity. Therefore, society has to be understood as developing through the interaction of relations of force with economic relations; no explanation of society should be reduced to the logic of either one or the other.⁵

Although Engels successfully argued that there was no one logic of force relations determining economy and society, his particular explanation of the interaction of force relations and economic relations has not stood as

chapter, in which Dühring illustrates his argument with a scene in which Robinson Crusoe enslaves Man Friday.

⁵Engels did not oppose Dühring's "primacy of politics" with a "primacy of economics." As is well illustrated in his brief military history (*Ibid.*, pp. 184-192), Engels wanted to emphasize the intricate interaction between technical development and military organization, and between these and overall social organization. Here, incidentally, is a good example of the use of the dialectical method. The dialectical "step" is the one Engels took when refusing to get trapped in reductionist logic based on any particular "fundamentals." Had Engels gone no further than that, or worse, had he claimed to have proved something with that step alone, he would have brought on himself all the criticisms, of idealism, of idle speculation, etc., that have been directed against dialectics and dialecticians. On the other hand, had he claimed that not he, but reality or history had taken that step, he would have brought on himself the criticisms made against the economic determinists and "dialectical materialists." (See Lucio Colletti, *From Rousseau to Lenin*, New York, Monthly Review, 1972, which includes, in spite of what I say here, a criticism of Engels.) Engels here did none of these things. He instead took the step in response to a need, perceived on the basis of his factual knowledge, for a richer story.

the last word. Criticisms and alterations of his views came from three main directions: from economic anthropology, from sociology, and from economics.

Two basic contributions come from economic anthropology. The first is to cast doubt on the notion that the original or "primitive" condition of people is a struggle to achieve bare subsistence. Herskovits⁶ summarized findings from anthropological studies of numerous societies from all over the world to show that the normal level of nutrition was usually well in excess of minimum requirements, and that as much or more time was spent in leisure as in any "modern" industrial society. Sahlins⁷, using a more analytical approach, showed how and why surplus appears in primitive economies. Nomadic people, for example, are constrained by their ability to carry things, which means that while they can gather or produce a surplus, they cannot accumulate it over time. As for more settled agricultural peoples, Sahlins constructs the concept of "domestic mode of production" to describe a social order in which surpluses could in principle be accumulated (with substantial limits due to spoilage and other "depreciation"), but in which there is no "natural urge" to accumulate.⁸ The tendency is to consume surplus in the

⁶Melville Herskovits, Economic Anthropology, W. W. Norton, New York, 1952.

⁷Marshall Sahlins, Stone Age Economics, Aldine de Gruyter, New York, 1972.

⁸Ibid., ch. 2 & 3. Sahlins bases his model on Alexander V. Chayanov's The Theory of the Peasant Economy, Richard Irwin, Inc., Homewood, Ill., 1966. The key point Sahlins makes use of, known in one form as "Chayanov's Law," is that the peasant household, when isolated from capitalist relations, is not output maximizing. The aspect that has been formulated as the "law" is that the larger the proportion of able-bodied workers in a family, the less anybody works. But this does not mean they are not utility maximizing. As Chayanov indicates in a chapter included in the above volume, "On the theory of non-capitalist economic systems", they simply take their surplus time in the form of leisure, unless, as Sahlins goes on to discuss, they find reasons to work for purposes other than personal consumption. The analysis is similar to the marginalist Robinson Crusoe stories involving an output-leisure trade-off, the twist being that it is here held to be valid only in a non-capitalist context, just the contention of John Maynard Keynes, "The distinction between a co-operative economy and an

form of leisure. Sahlins describes a variety of political orders based more on prestige than on force, wherein prestige results from being able to provide for others and give gifts, thus providing social motivation to do extra work.

By distinguishing production and accumulation, economic anthropologists have not only contributed to characterizing a "primitive" economy, but have also made it clear that the potential for exploitation, based on the capacity of individuals to acquire or produce more than is required for their own subsistence, is not a recent development resulting from technical progress. Scarcity in this context does not appear in the form Engels had in mind, that of low labor productivity.⁹ The economic motive for exploitation in societies that do not accumulate wealth would have to be sought in its potential for offering a better consumption-leisure trade-off than productive labor. But the work of the economic anthropologists indicates that the economic motive is not that compelling. In some societies, there is little evidence of exploitation, although surplus producing capacity exists; in others where exploitation is observed, non-economic motives such as prestige appear important.

The other major contribution of the economic anthropologists is to further muddy the waters on the subject of the interaction of relations of force and economic relations. In many societies, these anthropologists witnessed forms of production, transaction, and even accumulation that appear to have nothing to do with subsistence, and indeed very little to do

entrepreneur economy, *Collected Writings*, Vol. 29, Donald Moggridge, ed., MacMillan and Cambridge University Press, 1979, pp. 76-87.

⁹Productivity becomes important in more "advanced" economies, where a firm link exists between exploitation and accumulation -- about which more will be said later.

with consumption. In a famous work, Mauss¹⁰ discusses the phenomenon of gift exchange, basing his thought primarily on impressions derived from observations of other researchers of the potlatch cultures in the American northwest, which involve ceremonies of lavish (competitively motivated) gift-giving as well as apparently wanton destruction of previously accumulated wealth; and also of the "trade" cycles in Polynesia, in which the same artifacts are passed around as gifts from island to island in ceremonial journeys following a set pattern, until they eventually return to the island of origin to repeat the cycle again; as well as from myths and religious practices in a number of other societies, such as the Maori in New Zealand.

For Mauss, giving and receiving gifts is not a minor social practice to be relegated to the collection of peripheral phenomena one should abstract from in social and economic analysis. Gift exchange can be a means of social bonding; by the same token (1), it can be a means of imposing, fulfilling, and re-imposing obligations. As indicated above, gift-giving can be a way of acquiring prestige and of attaining a leadership position; but it also can be an assertion of power. On the other hand, gift-giving can be an expression of respect or submission. In the potlatch societies described by Mauss and the "Big Man" societies described by Sahlins,¹¹ leaders maintain their position and authority by getting enough goods through the expressions of respect and submission to provide, possibly (usually only in the early stages of establishing themselves) in conjunction with their own contribution, enough to give gifts to others and thus maintain or extend prestige and power.

¹⁰Marcel Mauss, The Gift (Ian Cunnison, trans.), Free Press, Glencoe, Ill., 1954.

¹¹Sahlins, *Ibid.*, ch. 3.

One has to be careful here when speaking of power. The conceptions cover phenomena not discussed in the Dühring - Engels debate on the role of force. Power is not always based only on force or the threat of force, though these are often present in the near or far background; and power is not always used in exploitative ventures. For example, if someone gives someone else a gift in order to cement a trading relationship, wherein the trading occurs on the basis of mutual benefit, there need not be any exploitation involved, though power has been exercised. One who can give many gifts can cement more trading relationships than one who can give only few. The same goes for maintaining friendships, arranging marriage, and so on.

This is the other key insight contributed by the economic anthropologists. Some economic activity has effects directly on social organization, and only indirectly on economic status. With that, we arrive at a point where the contributions of sociologists will help to clear the muddied waters. These contributions are the concepts of domination, of communicative action, and of social norms.

According to Weber, "Power is the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests. . . . [and] . . . Domination is the probability that a command with a given specific content will be obeyed by a given group of persons. . . ." ¹² Note that neither

¹²Max Weber, *Economy and Society* (Guenther Roth and Claus Wittich, eds.), University of California Press, 1978, p.53. The distinction between power and domination seems to be best understood by contrasting the reference to resistance in the definition of the former with the reference to communication (command) in the definition of the later.

definition mentions exploitation, which is only one possible consequence of power or domination. All kinds of rents can be extracted through power relationships, and some of these are not traditionally considered economic. Neither definition mentions force either. Yet our understanding of the role of force and the means by which exploitation can be achieved would be limited to what we can glean from the analysis of the dyadic encounters with which this discussion began, if we do not go beyond the level of the individual actors to consider social units. Power, to the extent that it can be exercised through means other than the direct application of force, and by definition domination, both rely on language, on memory, on calculation and on coordination.

Our main interest is in the general area of coordination, for here is where sociologists contribute most to the discussion relating to the role of force and economic activity in social development. They address this together with issues of language and memory, which would take us too far afield in our discussion, though some of the insights developed in such research are thought provoking in other areas as well, because they have to do with learning and the construction of concepts.¹³ Methods of calculation

In the case of the former, there is not necessarily communication; in the case of the latter, there is not necessarily resistance. This is consistent with Weber's own discussion here, where he almost makes it clear that he conceives of domination as a subcategory wholly within the category of power, because power does not require resistance either. However, the above reminds us that cases where there is neither resistance nor communication could hardly be referred to as social acts at all.

¹³See the discussion on the language theory of George Mead in Jürgen Habermas, The Theory of Communicative Action, Vol. 2 (Thomas McCarthy, trans.), Beacon Press, Boston, 1987. An organism interacting with another organism comes to see patterns in which certain of its own actions are followed by certain actions by the other. Thus it comes to see its actions in a new way: as gestures. From this Mead sees language and meaning arising. For Habermas this is a source of insights into social action that are missed by the functionalist approach, which takes awareness, including self-awareness, as given.

and the consequences of their application are adequately addressed by standard economic and game-theoretic paradigms, and will also not be discussed here. That means that in the discussion of the problem of coordination, these will all be taken for granted.

Social coordination does not only refer to rationally calculated, consciously purposeful actions. It can involve actions characterized as or derived from habits, values, traditions, morals, ethics, norms, moods, and conventions. In fact, many of the terms in this list represent forms of social coordination. What distinguishes them is that the actions they give rise to do not necessarily appear rational when evaluated in their immediate context; but as devices they themselves can be seen as rational when their function in constructing and maintaining a social order --and the individuals that use them-- is understood. Much of the attention they have received in social analysis has been by way of criticism of utilitarian and Marxist perspectives that ignore them or view them too narrowly. However, in Weber's rendition of the protestant ethic and its role in giving rise to a capitalist system unique to northwestern Europe, they take center stage. Weber "painted a picture," which he rationalised as a descriptive method of ideal types. Instead of merely referring, without elaboration, to customs, norms and beliefs as areas outside the scope of standard economic reasoning, as special cases or exceptions, Weber made them the centerpiece of his work, and presented them in great detail. In that work, he started out fresh in the sense that he did not make use of the then prevailing historical or economic categories.¹⁴

¹⁴Max Weber, The Protestant Ethic and the Spirit of Capitalism, [1905] (Talcott Parsons, trans.), Unwin Paperbacks, 1987. At first it seems ironic that a rebel from older categorization schemes would eventually produce perhaps the most elaborate categorization scheme in the social sciences. (See Economy and Society, *ibid.*) Yet it does

In fact, he only occasionally in the course of the work paused to make critical comments about other perspectives. His main theme was how a religious doctrine, as it came to be understood by people, could provide some of the basis for the transformation of social relations and economic activity. In the following chapter, the discussion of social coordination will proceed in a similar manner: the primary purpose is to develop comprehensible images of different social arrangements. Questions regarding whether and how they are comprehensible in the light of different theoretical perspectives are of secondary interest. Since these social arrangements will be discussed with the issue of force and economic activity always in the foreground, the approach may nonetheless turn out to be more functionalist than that of Weber.

The third source of alterations to Engels' view is the question of scarcity. Broadly speaking, contributions here can be attributed to economists. Ever since Ricardo and Malthus, scarcity had occasionally been conceptualized in terms of non-renewable natural resources, not only in terms of labor productivity. Scarcity of such a kind could indeed be thought of in terms of labor productivity, but not of uniformly low productivity reflecting a particular level of technical development. Instead, if it was to be conceived in terms of labor productivity, then it had to be declining labor productivity, where the decline was due, not to the characteristics of the laborer or the labor process itself, but to the limited availability of some

not seem designed to "lay down the law," but rather to allow distinctions Weber has found necessary to be drawn, and to serve as a continual reminder to theorists of all the possibilities they must consider. In this sense it is an "anti-dogmatic" categorization scheme.

other factor that was needed for the labor to yield results.¹⁵ The classic example of such a factor is land; and the associated limited output is food.

Sartre discussed the debate between Dühring and Engels at some length, and noted that Marx and Engels were not clear on the issue of scarcity.¹⁶ It is worth quoting his conclusion on the debate:

"The errors of the classical economists and of Dühring are exact opposites. The former, like everyone else at the time, believed in human nature. They placed man in situations of scarcity --this is what defined the economy-- and tried to study his behavior and the resulting relations between the objects of the economy. But it is assumed that man *is what he is* at the outset and that scarcity conditions him externally. Dühring, on the other hand, immediately attributed to man a capacity for violence and a will to use it which could only come from his enslaved will. This wicked creature's behaviour when there is no bread is not difficult to imagine. But violence is not necessarily an action; and Engels succeeded in showing that *as an action* it is absent from a great many processes. Nor is it a feature of Nature or a hidden potentiality. It is the constant non-humanity of human conduct as interiorised scarcity; it is, in short, what makes people see each other as the Other and as the principle of Evil. Thus the idea that the economy of scarcity is violence does not mean that there must be massacres, imprisonment or any visible use of force, or even any present project of using it. It merely means that the relations of production are established and pursued in a climate of fear and mutual mistrust by individuals who are

¹⁵Absolute scarcity is in fact the only condition that can properly be analyzed using marginal productivity analysis. Sraffa's demonstration that marginal productivity analysis leads to contradictions and absurdities is based on a model of an economy with capital and labor, where capital consists of goods produced by labor in an economy that reproduces itself in its entirety. (See Piero Sraffa, Production of Commodities by Means of Commodities, Cambridge University Press, 1963.) There is therefore no absolutely scarce factor in Sraffa's model. Thus Sraffa's demonstration is not so much a critique of marginal productivity theory as a demonstration that the marginalists had not succeeded in presenting capital as a (scarce) factor of production; and that they would need to do so if they hoped to use their analytical approach to study the capitalist economy.

¹⁶Jean-Paul Sartre, Critique of Dialectical Reason [1960] (Alan Sheridan-Smith, trans., Jonathan Rée, ed.), Verso, 1982. "What is striking in Engels' interpretations, and often in Marx's too, is that the references to scarcity are almost incomprehensible and, what is more, ambiguous." (p. 145)

always ready to believe that the Other is an anti-human member of an alien species; in other words, that the other whoever he may be, can always be seen by Others as 'the one who started it'.¹⁷

Sartre countered what he held to be the Marxist proposition, that workers produce a little more than they need, and can hence support a small unproductive ruling class, with his own proposition that workers produce a little less than everyone needs, and hence must support an unproductive warrior ruling class that selects who is to be dispossessed and protects the workers from them. This picture is grimmer yet than the one Hobbes presented to make his case that a population should yield authority to a central power. Hobbes clearly saw poverty and destitution to be mainly the result of war and social discord, not of the niggardliness of nature. Sartre is vague, appearing to discuss scarcity as if referring to nature, and yet emphasizing the role alienation plays in bringing about its social consequences. Perhaps he would allow that it works the other way around - which is closer to our view: that scarcity is an economic consequence of alienation.¹⁸ In any case, Sartre justified his position by maintaining that he could not see how things need ever change in a society of the type the Marxists describe; whereas it is quite easy to grasp the unstable, transformative nature of the society in his own description.¹⁹ If Sartre had

¹⁷Ibid., p. 148-149. Italics in original.

¹⁸For a detailed early sociological presentation of the phenomenon of alienation in its many aspects, see Ferdinand Tönnies, Fundamental Concepts of Sociology (Gemeinschaft und Gesellschaft) [1887], American Book Company, 1940.

¹⁹Ibid., p. 149-150; see also p. 145. Sartre's description implies a view of scarcity as continually present, perhaps even in principle. What he appeared to have in mind in this section, however, was the 'spectre of starvation' accompanying great famines in peasant societies, an occasional phenomenon. One of his points here seems to be (though he did not say so directly) that the occasional appearance of real scarcity provides the objective basis for a permanent 'spectre of starvation' in the consciousness of every member of society. However, this notion of an unchanging 'spectre' seems contradicted in the anthropological literature (e.g. Sahlins, *ibid.*, p. 272-274) wherein a very noticeable change in people's relations to one another can be seen

considered that something besides material scarcity could give rise to the kind of regime he envisioned, he might have ascribed more importance to prestige and social status, to what Hirsch²⁰ calls positional goods, and would not have had to derive so much from the spectre of famine alone.

What then is the significant economic fact behind the relations of force in a society: absolute scarcity, low productivity, both, or neither? The economic anthropologists have shown that all societies are normally capable of producing a surplus; but "normally" by no means rules out occasional famines. This is particularly true since surplus is often taken in the form of leisure, leaving a relatively small margin of safety in case of disaster. The occasional famine would then appear in the form of irremediable scarcity. If, however, it comes to be comprehended that what appears in one period as irremediable could be overcome by doing more or better work during other periods, then the issue becomes one of productivity.

Here we should distinguish two kinds of productivity: the productivity of labor, and the productivity of the laborer. The productivity of labor is the output expected from a given period, such as an hour or a day, of standard

with the onset of famine. People may indeed 'interiorise' scarcity, as Sartre said, but not necessarily permanently. When explicitly turning his attention to modern society, however, Sartre's image of scarcity changes: "When I emphasise *scarcity*, at the very moment where our [modern] man is transformed into a fabulously rich heir, I do not mean that he is still at the stage at which famine and death threaten every individual. Scarcity here is expressed in terms of . . . impediments which threaten to slow down a production which the exigencies of demand require to be considerably accelerated." (p. 739) Here scarcity is a permanent feature of life, and of a different nature than that referred to earlier. It seems that the continual redefinition of needs assures this permanence, without threatening life. I am not suggesting Sartre was careless, but only that he fell into the same traps the marginalists fell into (in the very book with which he explains his conversion to Marxism!) when they tried to describe social and economic dynamics in terms of absolute scarcities.

²⁰Fred Hirsch, Social Limits to Growth, Routledge & Kegan Paul, London, 1977.

work effort. The productivity of the laborer takes into account an additional factor, namely the length of time that individual is willing to work, or the social factors that go in to determining what the standard intensity of work effort is. In pre-industrial societies, most of the attention was apparently given the latter, rather than, as Engels thought, the former. Sahlins developed a theory of the politics of enhancing the productivity of the laborer. He proposed that "Big Man" and chieftain societies developed to compensate for the weaknesses of the domestic mode of production, of which the primary one was the tendency to underproduce. He described a hierarchy of increasingly complex societies where the underlying rationale of the social order was to motivate or obligate people to produce more than they otherwise might; to hedge their bets by maintaining ties of mutual assistance with others; and to establish a respected central authority who could maintain a store-house.²¹

Boserup studied the economics of agricultural development in a wide array of societies, and found that agricultural technique varied according to population density more than according to technical knowledge.²² Indeed, she found that the most "primitive" --and most land intensive-- forms of agriculture, what she called the "forest fallow" techniques but which are better known as "slash and burn", had the highest labor productivity of any

²¹Sahlins, *ibid.*, ch. 3.

²²Ester Boserup, Conditions of Agricultural Growth: The Economics of Agrarian Change Under Population Pressure, Aldine, Chicago, 1965. She notes that there are cases where the population density of a region has dropped substantially due to war or disaster, with the result that people there "reverted" to more land intensive, less labor intensive techniques of agriculture. She also reports cases where people in sparsely inhabited regions spurned advice and assistance with more "advanced" techniques because the new techniques required too much work. The behavior of such people can readily be understood in terms of traditional economic theory. Here it is simply starkly obvious that utility maximization and output maximization are not the same.

pre-industrial agricultural technique; and the peoples engaged in it appeared to enjoy the shortest "working day" of any. Population pressure prevented all societies from using this technique, however, due to the resulting shortage of land. The denser the population, the more intense had to be the use of labor on the land, until the point was reached where one had to work to keep it fertile, since there no longer was the possibility of leaving the land fallow long enough to recover its fertility by itself. Boserup found that prior to industrialization, the techniques that increased the productivity of land involved decreasing the productivity of labor. People had to work longer hours in more densely populated regions to get the same volume of output that people in more sparsely inhabited regions got; and this result obtains without even controlling for the fact that the densely populated regions are those presumably most favorable for agricultural production.

If we consider the works of Boserup and Sahlins together, then we can picture what happens over time as the population density in a region increases. Land use gradually becomes more intense, rendering the old techniques less and less appropriate. Harvest failures and land disputes both become more frequent, while some begin to apply more labor intensive, land saving techniques. The social structure is built up and perhaps transformed around a campaign to get people to work harder, to use the better techniques. Mystical rites and superstitions develop to help inculcate the proper kinds of restraint and the proper procedures.²³ Ultimately, most people will have adopted the new ways; a sullen few perhaps will have

²³To the extent that people do not see their productive activities as separate from the rest of their lives, a change in method or "technique", as we would call it, would for them be a cultural change. No wonder it encounters resistance.

emigrated, become marginalized, or formed bands resorting to theft and violence. Things will have stabilized for a while, during which period the population continues to grow, leading eventually to another time of crisis, and of transformation in the mode of production and of the social order.

An alternative scenario is that the sullen few are not so few, and that they organize themselves into bands that begin to systematically exploit producers. This possibility will be the point of departure for the next chapter.

CHAPTER 2: FORCE AND EXPLOITATION

In the previous chapter, three critiques of the image of society coming out of both sides of the Dühring-Engels debate were presented and briefly juxtaposed in order to provide a point of departure for the following discussion. Several economic anthropologists have revised our view of pre-industrial economies as subsistence economies engaged in a day-to-day struggle to survive; and have shown that not all material transactions have directly material purposes comprehensible through the usual theory of market exchange. A number of sociologists further developed questions of what makes various forms of social structure possible, largely by describing what happens *besides* rational calculation. Their work helps to explain social coordination. From the economic point of view came an understanding of the kind of resource problems societies face even if they are not cases of "bare subsistence."

The overall image that results is of populations normally able to provide for their needs and for the maintenance of a level of contentment not inferior to that of modern societies, but subject to occasional crises involving scarcity, perhaps periods of crisis associated with demographic expansion. The solution to the crises may in part involve technical innovation; but social change appears to be the critical factor leading to a successful response. In this chapter, the social changes associated with the introduction and maintenance of relations of power based on force will be the focus of attention.

Polanyi classified economic systems into three major types: those involving reciprocal, redistributive, and exchange transactions.¹ By an exchange system he meant a market system, a kind of system where Marx could talk of abstracting from particular commodities or social relations to speak of exchanges and exchange relations in general. The other two systems, by contrast, are bound to particular social relations. Reciprocity, for example, is illustrated by a mutual giving of gifts over time between two particular people that has as one result the cementing of the relationship between them. A redistributive system is based on the same principle, only some people have substantially more reciprocal relations than others, so that through them a certain centralization takes place. People give gifts to the center "Big Man" or chieftain, who then redistributes them by reciprocating with gifts in his turn. The political systems Sahlins describes as enhancing the product yielded under the domestic mode of production are all more or less elaborate redistributive systems.²

These systems are based on kinship, friendship, and prestige. Although force, or more likely the threat of force is present, the whole system is built up to obscure this as much as possible.³ The concern to avoid

¹Karl Polanyi, "The economy as instituted process." In Trade and Market in the Early Empires (K. Polanyi et al, eds., Free Press, 1957). See pp. 250-256.

²Sahlins, *ibid.*, ch. 3. We refer to them as political rather than economic systems, for the prime motivations and the main functions of the characteristic actors are clearly political.

³Sahlins, *ibid.*, ch. 4, p. 173: "...Mauss posited his general theory of the gift on a certain nature of primitive society, nature not always evident -- but that exactly because it is contradicted by the gift.... The primitive order is a contrived agreement to deny its inherent fragility, its division at base into groups of distinct interest and matched strength..." and p. 302-303: "If primitive society succeeds by the gift and by the clan in reducing the state of Warre [a term Sahlins used to distinguish a permanent anarchic condition Hobbes described, from war, which is organized mass combat limited in time and space] to an internal truce..., it is only to displace outward, onto the relations between clans and tribes, the full burden of such a state. In the external sector the

open violence seems in many societies to have led to an extensive array of diplomatic technique. Violence is dangerous for all concerned, possibly giving rise to never-ending feuds. Besides, the network created by the practice of reciprocity doubtlessly makes it hard to develop the exclusive alliances required to build permanent and secure unequal power relations based on the threat of force.⁴ In the primitive context, failure to avoid violence means failure to construct a community, or the destruction of a pre-existing community. How then do relations based on force make their entry? They could enter through relations between communities.

circumstances are radically Hobbesian.... In the absence of external guarantees, as of a Sovereign Power, peace must be otherwise secured: by extension of sociable relations to foreigners -- thus the trade-friendship or trade-kinship -- and, most significantly, *by the terms of exchange itself*. The economic ratio is a diplomatic manoeuvre. 'It requires a good deal of tact on the part of everyone concerned,' as Radcliffe-Brown wrote of Andamanese interband exchange, 'to avoid the unpleasantness that may arise if a man thinks that he has not received things as valuable as he has given...' (1948 p.42) The people must come to terms. The rate of exchange takes on functions of a peace treaty.... The most tactful strategy is economic good measure, ... 'something extra' ... 'something for the road'..."

⁴This statement appears to be contradicted by the persistent and vicious factionalism characterising many peasant societies. Thus it may be well to note the instability of primitive social units. Sahlins invokes this aspect of such societies to counter the "ecological" hypothesis that community size and distribution are determined by resource and production conditions (See ch. 2, p.48). Sahlins cites a number of studies to conclude that "[q]uite generally among the tribal cultivators, the intensity of land use seems a specification of the social-political organization." In other words, the primitive community splits whenever the reciprocity network fails to keep the peace. Sahlins notes that many of the studies ascribe the frequent fragmentation of primitive communities to lack of political centralization. This recalls a study by Edward Banfield, The Moral Basis of a Backward Society, The Free Press, New York, 1958, of a predominantly peasant village in southern Italy. Banfield tried to explain the backwardness of rural southern Italy with its "political incapacity" stemming from "amoral familism". He noted that unlike in other peasant areas, as for example in the north of Italy, there was little factionalism, due not to lack of friction but to lack of solidarity. The term "familism" draws what Banfield clearly feels is the prime distinction between what he saw and a society of individualists; a people suspicious of everybody not in their immediate nuclear family. This image of loneliness that one would expect to be a characteristic of industrial society is what seems to distinguish this peasant society from accounts of primitive societies. (Banfield seems to view what he observed as a general characteristic of "backward societies", however, and would presumably disagree with the less individualistic character ascribed to primitive societies by anthropologists of Sahlins' ilk.)

Relations between communities not connected by reciprocity ties are more vulnerable to change than relations within well-established social units. The encounter between strange social units can become an occasion for the establishment of reciprocal ties, but can also be the beginning of a war, or of an exploitative relationship based on the threat of force. Once a relationship based on force is imposed by one community on another, this leads to many other changes in the social fabric of both.

According to Engels, the disruption of the gens, phratry, and tribe system of the Greeks resulted from the accumulation of wealth and the increase in trade, from systematized raids for plunder and slaves, from the resulting spread of slavery, and from the market for land. The accumulation of wealth increased the interest in private property at the same time that its origin in trade and especially plunder connected it more strongly with males, adding pressure for male oriented inheritance schemes. The widespread taking of slaves, who at earlier times would simply have been killed in war, or else eventually adopted into the gens, led to the regularization of a new sort of human relation, which by permitting the accumulation of a labor force increased the interest of proprietors in the acquisition of new land. Engels maintained that the chaos resulting from the simultaneity of tribal and market relations, the resulting problematic status of property, and the need for military coordination all led to the eventual formation of a state structure largely independent of the old gens, phratry and tribe system.⁵

⁵Frederick Engels, The Origin of the Family, Private Property and the State [1891] (Progress Publishers, Moscow, 1985). See especially pp. 109-113 and 124-128. As will be discussed below, Engels emphasized the effects of the market; his views on the role of war focus on problems of organization and are related only by implication to male

Engels held that the old system in Rome was broken up by a deliberately arbitrary redivision of the population into newly specified groups; and these groups were in turn categorized into classes according to their wealth and rendition of military service. Thus, in Engels' view, the rise of the patriarchal family with inheritance proceeding along the male line, the rise of male-dominated family property separated more and more from gentile (i.e. clan based on matrilineal descent) control, and the rise of an institutionalised military and legal authority distinct from and over those of the old gentile system were connected phenomena characterizing the transition from prehistoric to historic societies. Indeed the advent of written documents that begins the historic era is probably directly connected to the new property relations and the new institutional structures associated with the rise of the state.

Engels did not delve deeply into the question of what gave rise to this transformation, except to attribute it to the increasing importance of the market and to the introduction of money. But what circumstances encouraged the development of money and the expansion of market exchange? Perhaps Engels assumed exogenous technical progress, and population growth.⁶ The rise of private property and the state could permit

domination. Presumably Engels did not feel it necessary to be explicit about this connection. His main purpose was to establish that there was once a system without private property; that even the family, taken for granted in the public mind, was not a permanent fixture; that societies can evolve; and that the state is associated with a system of private property. The role of force tends to be taken for granted by Engels, sometimes unfortunately neglected, in this discussion.

⁶Engels, *ibid.*, pp. 111-112. He explicitly mentions technical change and division of labor. There is no direct reference to population growth; and one would certainly not expect Engels to be impressed by Malthusian thinking. Still, just as force seems often to be vaguely in the back of Engels' mind, his description of the advancing division of labor seems to imply growth, if not of overall population, then at least that of centers. Perhaps he simply assumed that society becomes more complex as population grows.

a much wider subsequent extension of the market; but making these responsible for its initial development appears to make the argument circular. This circularity disappears, however, if the rise of relations based on force rather than the market is held to be behind the rise of private property and the state.

Two options then present themselves for tracing the history of the market. One option would be to associate the origin and not just the extension of the market with the rise of private property and the state. This seems too extreme. Barter and exchange seem to occur alongside other kinds of transaction in many societies, even in those with no state and little sense for private property, though it may be limited to trade between separate communities. The other option would be to allow that some form of market has existed, at least sporadically, in gentile societies as well as societies organized as states. The rise of private property and the state, as Engels said, can lead to an expansion of the market; but more important, it should be expected to lead to changes in the nature of the market as well. We will pursue the second option, and eventually come to a discussion of how the nature of the market changes.

De Jouvenel gives a clear account of how the transformation from the gentile matriarchal, or more likely just matrilineal form to the patriarchal form of society may have occurred through war.⁷ When men form warrior bands and go to war, they may come home with prisoners as well as goods.

⁷Bertrand de Jouvenel, *On Power* [1945] (Beacon Press, Boston, 1962). See pp. 79-81. De Jouvenel does not commit himself on whether non-patriarchal societies really existed, but shows both the tendencies that would lead to patriarchy and those that would preserve it.

Women prisoners enjoy no social position; they have been torn from their households; and in the new context they are direct subordinates to male authority (though sometimes, where there is one, also to that of the female household head). But this is only the most visible manifestation of the weakness of the matrilineal structure. After all, there are male prisoners too; and they may even be adopted by their conquerors.⁸ Could women prisoners not be adopted in a similar manner, so that the mantle of social protection would extend over them? But there is another factor de Jouvenel considers. War enhances the prestige of men, and particularly of those who are active and successful warriors. Their ability to contribute to the exploitation of others gives them a strong say in the disposal of booty. Here is why private property and the patriarchal family tend to appear together. The warrior becomes the new authority.

Slavery has been seen as progressive in its time, since it spared the lives of prisoners of war who would otherwise have been killed. According to Engels, slavery was made possible by developments that enabled people to produce surplus; but as was pointed out above, this capacity seems always to have existed. Thus slavery must have awaited the development of the capacity for exploitation rather than the capacity for production. De Jouvenel's account of the rise of the patriarchal family amounts to an account of the rise of slavery, in the form of the slavery of women. One can imagine that the more men functioned as exploiters (warriors), the more of the productive activity fell to women. With the rise of the patriarchal warrior

⁸De Jouvenel, *ibid.*, p. 81 and accompanying footnote 11. Since adoption of men is to replace lost warriors, this however emphasizes the difference from the case for women, who do not replace anybody lost, and who therefore do not come to occupy a previously established social position.

family came polygyny, whereby the labor power under the control of one warrior increased; and that in turn increased the potential for and interest in putting more land under cultivation to support the warrior and his enlarged family.⁹

However, this account still leaves us some distance short of a true slave economy, of the mode of production characteristic of ancient Egypt, Greece or Rome. One can only speculate on the prerequisites of a slave economy, but three factors seem worth considering. One factor is the level of social organization achieved by the slave-holders, which may be more disciplined than the organization of non-slave holding dominant groups.¹⁰ A second factor may be, at least in many cases, a persistent settled agricultural community with high requirements for labor -- for irrigation, for farm-work

⁹De Jouvanel, *ibid.*, p. 81. See also Ester Boserup, Woman's Role in Economic Development (St. Martin's Press, New York, 1970), ch. 2, "The economics of polygamy." Boserup reports that in some sub-Saharan regions of Africa, wives must provide for themselves and their children as well as contribute to the upkeep of the husband. For this reason, in some places, first wives actually encourage their husbands to go out and get a second wife, so that someone (lower on the totem pole) be there to share the work. Although Boserup reports that men with more wives can arrange for the working of more cultivated land, her work also casts doubt on any direct relation between this and the rise of private property. Specifically, in chapter 1, "Male and female farming systems," she notes that polygamy tends to be associated with shifting modes of farming with no private land ownership; and that women's role in agricultural labor tends to decrease in proportion to men's in societies characterized by more settled, intense modes of farming, private land ownership, and the plough. Therefore, societies with private property currently actually are less likely to be polygamous, because women tend to be supported by rather than support men. This view may be due to the increasing importance of the market in societies with well established private property. Men may indeed predominate increasingly in the market sector, but women may work, in the household sector, as much or more than before. Only with the given that men control the market sphere can they be said to be supporting women.

¹⁰See Karl Marx and Frederick Engels, Manifesto of the Communist Party [1848, 1888], Progress Publishers, Moscow, 1977. The first line (p. 35), "The history of all hitherto existing society is the history of class struggles" is footnoted by Engels beginning with the remark, "That is, all *written* history." It may be that the beginning of writing is associated with social organization complex enough to call for documentation; and there is no doubt that the mastery of letters and numbers requires (and reinforces) a new mental and social discipline.

itself, or for military defense. A third factor may be an enhanced capacity to prevent social assimilation of subordinated or conquered people -- perhaps through the propagation of racist or ethnicist ideology.

The emphasis of Engels' theory has been shifted by this discussion, so that more attention is given, as in De Jouvenel's account, to the role of war in the demise of the gentile system. But so far this attention has been focused mainly on victorious, or at least non-vanquished societies. But if at least the male half of many societies occupies itself with war, then either all societies are like this and a rough balance of power results with no major change in the condition of any of the social units, or societies must exist that these warriors successfully exploit. What happens with vanquished societies?

It turns out that slave societies are quite complex, and require a little more background before they can be explained. We leave them to the next chapter. Here we discuss the rise of "casual" tribute systems, the term "casual" indicating minimal interaction between the exploiter and the exploited communities.

It could happen that a vanquished society is completely destroyed; but this means that after the initial plunder, the victorious warriors leave nothing to exploit. The next time, they will need to search for new victims. Moreover, if they get a reputation for total destructiveness, they will encounter desperate resistance in future forays. Worse yet, other societies, fearing their end if they continue as peaceful farmers, will themselves become increasingly warlike, threatening a vicious cycle of less and less production and ever more war.

It could also happen that a vanquished society is allowed to persist, so that it could be plundered again in the future. But here a problem could arise. Why should one group of warriors restrain themselves and spare the vanquished, if as soon as they leave another band of warriors comes by, takes what is left, and finishes off the vanquished group after all? Clearly some overall framework is useful, not only to regulate the number of exploiters in relation to the number of the exploited, but also to insure that the exploited are somehow divided among the exploiters so that the intensity of exploitation can be regulated. A reduced intensity of exploitation may make possible increased production with better results for all in the long term. But such a framework is not easy to construct, and as history records, does not by any means guarantee stability once constructed.

According to Oppenheimer, what we know as the state results from the construction of just such a framework. A group of exploiters asserts control over a certain territory, and protects producers within that territory from the forays of other exploiters.¹¹ At the same time, it may save itself

¹¹Franz Oppenheimer, Der Staat (In monograph collection Die Gesellschaft, Vol. 14 & 15, Martin Buber, ed.), Rütten & Loening, Frankfurt a. M., 1912. Specifically, he envisioned the territorial feudal state arising from the encounter of pastoral nomads with settled farmers. The pastoral nomads were supposed to be predisposed to be exploiters for several reasons. They were accustomed to property, calculations, and differences in wealth (size of herd); they found conquered people usable as slaves to oversee herds; and because they had their herds with them, they could feed themselves over the course of long military expeditions. The sedentary farmers, on the other hand, were less mobile and had less experience with calculation and organization. Oppenheimer traces several steps to the formation of a state, the substance of which appear in our discussion. Jürgen Habermas (in Zur Rekonstruktion des Historischen Materialismus, Suhrkamp, Frankfurt a. M., 1976; ch. 6, p. 174) dismisses this kind of theory of the state on the basis of a reference to empirical evidence that nomadism appears later than the earliest great cultures; and thus concludes that the origins of the state must be sought within societies rather than in the interaction between societies. It is hard for me to believe that any empirical evidence of events that far in the past

and the producers the trouble and danger of plundering forays by establishing a tribute relationship. The producers know more or less what they will have to give up, and can plan production accordingly so as to avoid disaster. The exploiters too know more or less what they will get, and can determine how to divide the tribute among themselves. This seems rational in retrospect.

Several difficulties stand in the way of making such arrangements stable, however. The first is the problem of maintaining the distinction between the exploiters and the exploited. So far this discussion avoided some of the problem by considering only some aspects of the case where warriors from one society go on "forays" to exploit people elsewhere. What happens at home? Above, it was noted that the status of women tends to suffer in a warlike society. They are very likely to be dominated, and possibly exploited economically as well. Nonetheless, their position is likely

would be so definitive as to justify such a conclusion. Habermas also rejects, among others, demographic explanations and the "hydraulic" models based on large irrigation projects. His preferred image is a society confronted with a crisis that needs to be faced with a "higher" level of coordination than is possible based on the kinship system. It seems he deliberately pictures a situation where a society is faced with a problem where nobody has a clue as to the solution; and based on this situation, he develops a theory of cognitive development and of communicative action, according to which the evolution of the organization of a society into a state with different classes can be explained. Of course, none of these explanations rule one another out; there probably have been many routes to statehood. It may be that neither Habermas nor Oppenheimer have as good a story as could be constructed from a combination of their insights. Although Oppenheimer goes into some detail to explain how exploiters and producers develop their roles to construct the new state society, it is a narrative that fails to consider questions of cognitive scope in any more detail than the narrative of, for instance, Marx. The value of Habermas' reconstruction would be similar in both cases - to show that major social transformations are far more difficult and raise more cognitive and psychological questions than theorists heretofore have cared to address. On the other hand, as Habermas himself states, societies attaining a new level of organization in the face of crisis may well revert to simpler forms after the crisis passes. It is known, for instance, that many tribal societies had different chiefs and authority systems during war than during peacetime. Oppenheimer's theory could provide a kind of crisis that 'never completely passes.'

to remain privileged in relation to that of women from vanquished societies. So much more are men from a warlike society, given their function, likely to be privileged in relation to men from vanquished societies. Discipline based on solidarity is required to maintain a successful warrior band where raising armies has not become a practice, and even more to administer a long term tributary relationship. Once men in such a society are fully accepted, which recognition often involves a more or less elaborate ceremony, they must be given a recognized role or position, be treated with respect, and enjoy a share in the benefits of exploitation. Each man must feel that maintaining the bond of solidarity and carrying out the common purpose is of greater interest to him than any other course of action he might consider; and also be reassured that this is the feeling of his comrades.

It may not be impossible for a division between exploiters and exploited to arise in the same community, but in this situation, it seems unlikely. The intricate bonds of kinship combined with requirements for group solidarity make the process of division hard to picture. Oppenheimer, as we have seen, ruled it out. He asserts that the origin of all states involves at least two communities, with one exploiting the other.¹² Thus his theory dovetails into theories of elites, such as those of Pareto or Veblen. It provides the groundwork for understanding the state as a conglomeration of at least two cultures, and -- as we will see later -- perhaps more. With such a theory of culture, the attempted resolutions to problems of solidarity and

¹²Oppenheimer, *ibid.* This theory provides him with a basis from which to make fun of the notion that the state corresponds, or should correspond with nation. Note also that he managed to construct a non-racist yet ethnic theory of state and class that grasps some aspects of state society not adequately understood by a class analysis based solely on formal production relations.

distinction can be understood, and along with that, insights into the nature of power in modern state societies can be grasped.

Another major problem is the regulation of the proportion of exploiters to exploited, which is related to the problem of regulating the intensity of exploitation. Usher¹³ presents a formal model of a society in which this problem is featured, but where the Malthusian problem of population increase amid scarce natural resources is the centerpiece. According to the model society can exist under one of two conditions, anarchy or despotism. Under anarchy, there are only farmers and bandits; a farmer can become a bandit or vice-versa, according to preference. Under despotism, some bandits (farmers can become bandits, but only as bandits can they become rulers) have organized themselves to become rulers who tax the farmers but also protect them from other, unorganized bandits. The key problem is population growth. The surplus over subsistence each farmer can produce declines, due to diminishing returns, as population grows; and thus the tax rate must decline to prevent the farmers from starving or from switching to banditry. Clearly this becomes a crucial matter when not only the rate but the absolute amount of collectible tax declines, as it eventually must under these assumptions; for then the welfare of the rulers declines also. Usher's model is designed to explore the circumstances under which the welfare of the rulers declines sufficiently to cause them to resort to banditry, plunging the society into anarchy with sharply reduced welfare levels for all, from which recovery follows only after a drop in population and a reconsolidation of bandits into a new "dynasty" of rulers.

¹³Dan Usher, "The Dynastic Cycle and the Stationary State," American Economic Review, December 1989, 79 pp. 1031-1044.

Here an alternative model is proposed. Malthusian resource scarcity is replaced by labor scarcity. This centers attention on the proportion of exploiters to exploited. It can be assumed that output per farmer does not change with the size of the farming population; or else that although potential output per farmer goes down as population increases, this merely results in the farmer exercising a greater proportion of his total capacity for work in order to achieve the optimal consumption-leisure trade-off. In either case, the resources available could support a higher level of productive activity.

At first sight it might appear as if everyone's welfare is maximized when all are farmers, for this maximizes total output. However, if the consumption-leisure-danger trade-off for some people is more favorable for banditry than for farming, then the model predicts that they will engage in banditry. Consider that a bandit may be able to collect in a few hours more than a farmer could produce in a season. But the very existence of bandits now reduces the welfare of farmers, since they must include the element of danger into their welfare calculations along with a reduced expected level of consumption. What happens if the proportion of bandits in the population increases? Following Usher, four possibilities could be envisioned. The first is that the welfare of bandits is always below that of farmers, in which case one would indeed expect the whole population to remain farmers. The second is that at every level, the welfare of bandits exceeds that of farmers, in which case a vicious cycle of war and misery is entered upon until, at least conceivably, everyone (except maybe one individual) is exterminated or until bandits start to attack other bandits and try to establish a despotic

regime. The third is that the welfare of bandits is initially below that of farmers, but declines more slowly than the welfare of farmers, so that bandits do well in relation to farmers once they are there in high enough proportion. This possibility becomes meaningful once we abandon the individualistic bandit and return to considering warrior bands and societies; or in Usher's original model, in the case where an impoverished ruling class, unable to collect enough tax with its promise of "protection", resorts to banditry. The possibility that the ruling class maintains internal solidarity, but nevertheless uses the tactics of banditry, is not discussed by Usher. The fourth possibility is that the welfare of bandits is initially higher than that of farmers, but declines more rapidly, yielding a stable equilibrium point of equal welfare for each group that prevents further change in proportions. This last possibility is in fact the only one that would lead to a stable coexistence of farmers and bandits on an individualistic basis under anarchic conditions.

At this point, however, Usher's individualist perspective is dropped, in order to analyse Oppenheimer's model, according to which people belong either to the exploiter society or to the exploited society. A warrior from the exploiter society typically cannot choose to become a settled farmer; his membership in his society carries with it the expectation that he will cooperate in the exploitative ventures and otherwise play his part in the network of obligations. Becoming a settled farmer would be considered deviant in the extreme; it would probably lead to his being separated from his people in the normal course of their activities, if not by deliberate sanction. On the other hand, a farmer in the exploited society typically cannot choose to become a warrior-exploiter. He would not enjoy the

cooperation or protection from the warriors of the exploiter society; in fact, they would most likely persecute him as a rival and a threat. If he tried to exploit his own society, then he would not only be isolated, but would likely face the most savage sanctions.

All this is not to rule out such shifts entirely. People may leave one social group and enter another; and even a whole society may change its customs and way of life. The point is that such changes do not generally take place by individual choice, or at least not by choice alone. An individual may be forced out by his society, perhaps because of misbehavior, perhaps because there was no place for him or her; or he or she might be captured and enslaved or adopted by another society. In all these cases, the change is not initiated by the one undergoing it, but results from the interests of others. Under certain circumstances individual initiative can affect the interests of others: a bright and turbulent member of an exploited group might better be coopted into the exploiter group than left to organize resistance, especially if expansion has made increasing membership among the exploiters more attractive than simply killing troublemakers. In general, however, it seems reasonable to assume that people have little choice but to conform to the demands made on them by their society. They can deviate in certain small ways; but most often they cannot change class, status, or ethnicity at will.

In terms of our model, this means that there is no equilibrium proportion of bandits. Even if an equilibrium involving coexistence were to be possible based on individual choice (fourth possibility above), the absence of individual choice makes it irrelevant. Alternatively, one could say that

individual choice is possible, but that, wherever those who produce are distinct from those who exploit, social sanctions are such as to impose a very high cost on changeovers. This high cost functions as an "energy barrier" keeping people in their place and obstructing movement to any equilibrium.

Yet this does not mean that any proportion of bandits is as stable as any other. If exploitation is initiated by war and maintained by threat of force, then a certain minimum proportion of exploiters is needed to make victory possible and future threats credible. On the other hand, there is a certain maximum proportion that can be supported by the surplus producing capacity of the labor of the exploited. Within the framework of this revised model, three major issues can thus be discerned. The first issue is that security concerns would interest exploiters in increasing their membership. The second issue is that economic concerns would interest them in limiting their membership. The third issue is that there is no automatic mechanism for adjusting the membership of exploiters. These issues may account for numerous social dynamics; but it is noteworthy that all three concerns can be addressed simultaneously if some attractive way could be found for the exploiters to go beyond casual tribute collection to intervene among the producers so as to make them more productive.

The following chapter addresses issues related to the organization of productive enterprises of varying types and degrees of complexity in an exploitative regime. It provides the basis for discussing the maintenance of such a regime in slave, feudal, and modern state societies.

CHAPTER 3: THE ORGANIZATION OF PRODUCTION

The previous chapter included a case against an image of society, however primitive, in which individuals can freely choose whether to be producers, exploiters, or some combination of both. Productive and exploitative groups were presented as separate communities with different cultures and mores, which cannot be entered or exited without incurring great costs. This view can provide a fertile basis for understanding complex social arrangements; but by itself it remains an oversimplification.

The key point that remains oversimplified is the manner of exploitation. Although part of the rationale used to account for an almost insurmountable membership barrier between producing and exploiting groups is that not everyone can become an exploiter without destroying the whole economy, clearly such a membership barrier is merely a necessary, not a sufficient condition for a stable, viable economic relationship.¹ A limited number of exploiters might still be able to destroy the economy if by wanton marauding they rob the producers of the capacity to continue their productive activities.² Thus if exploitation is a frequent occurrence that puts

¹Since exploiters are presumed to be better off than producers, and also less productive and more of a burden on the economy, the barrier to membership among the exploiters is the economically significant one. Although barriers to membership among the producers may exist, they are usually of no concern to exploiters.

²We need not limit ourselves to considering "primitive" economies with regard to this issue. Millar claims that the overexploitation of the peasantry resulting from the requisitioning of grain, often including seed grain by urban ruffians in 1928, left many farmers in a position where they could not go on, and led to an attempt to remedy the situation by forced mass collectivization. According to Millar, although collectivization had been considered before, the brutal and hasty way in which it was done had much to do with the prior excesses in grain requisitioning. Several years of famine followed, along with mass destruction of livestock by peasants resisting collectivization. Millar considers Soviet agricultural policy in those years to have been "... perhaps the greatest mistake the Politburo ever made, aside from the expectation that the Germans would not attack in 1941..." (See James Millar, The ABCs of Soviet

a significant burden on producers, care must be taken that the basis for the economy is not destroyed.

Such care must include restraint on the part of exploiters toward producers, who must not be exploited to the extent that they can no longer survive or produce. It must also include mutual restraint among different exploiting groups. Territories, hierarchies, or other jurisdictional units must be created and protected, because exploiters have no interest in exercising restraint *vis-a-vis* the producers if, as soon as they leave, another group takes what they had so carefully left behind. Exploiters must therefore be able to lay claim to producers' output, perhaps to the producers themselves, with reasonable assurance that they can defend or that other exploiters will respect such a claim.

None of this is new to economists. It amounts to saying that means of production must not be destroyed; and that there must be general recognition of entitlements (although these need not take the form of private property). In a sense, these are minimum requirements for the maintenance of any economy. Exploitation, however, makes the requirements stricter than they would otherwise need to be, and puts a premium on documentation. To the extent the way of life of the exploitative community is remote from that of the productive community, exploiters may be ignorant of production conditions. Under these circumstances, the maintenance of productive capacity may be far more precarious than when it is under the control of the producer community alone. Moreover, a corollary of Sahlins'

Socialism, University of Illinois Press, 1981, especially pp. 10 -16 and 26-29. Quote is from p. 16.)

theory of the domestic mode of production, according to which the maximization of utility involves an output-leisure trade-off resulting in actual production levels noticeably below potential levels, is that the creation of involuntary transfers increases the overall level of economic activity, including voluntary transfer and exchange. This intensification accounts for part of the duress caused by exploitation. The maximum utility is below the maximum without exploitation. The duress of the exploited appears in the form of increased tension and conflict around issues of entitlement. It is as if awareness of exploitation could be awakened any time in the course of work or trade, even with fellow producers. Thus, much that may be taken for granted in a producer economy requires conscious attention in an economy with exploiters.

If exploiters are limited in access to producers by entitlement relations to other exploiters, and also limited in access to products by the requirements for reproduction of the producers and their production capacity, then this means that the exploiter-producer relation becomes more complicated than that of predator and prey. The efforts by exploiters to insure the survival of producers implies that they have learned to become parasites instead of predators, and like good parasites, avoid killing off their host. What is more, the entitlement relations among exploiters imply that they recognize the need to protect "their" producers from other exploiters. This goes beyond simple parasitism, to continue with biological terminology, and introduces elements of symbiosis to the relationship. Producers tend to resent the relationship they have with their particular exploiters, but they may nonetheless actively seek such a relationship if it puts them within a

regulated scheme, outside of which they would otherwise be free game for any exploiter that passes by.

Once such a relationship exists, there is no need for it to remain simple. Exploiters need a body of knowledge about production in order to make sure they are preserving productive capacity. When they are limited in access to certain specified producers, and intensive replaces extensive exploitation, exploiters may want to explore alternative mechanisms of exploitation, or even to introduce new production methods. In fact, they may even be driven to such explorations by competition among exploiters.

Even when exploiters agree on entitlements, the agreement is based on a balance of power, and is subject to change when that balance shifts. Thus competition among exploiters is likely to persist even when there is peace between them. On the other hand, as long as they are self-sufficient, producer communities are not under such competitive pressure. Under exploitation, producers have little interest in initiating improvements in production, since they can anticipate that for them this will lead only to more intense exploitation and to no change in their own standard of living.

It might seem at first that efforts at improving the yield from exploitation would be futile for the same reason. If one exploiter makes an improvement, the others can follow suit, leaving the competitive position of each the same. But here the time factor is more important than among producers. A producer with an innovation can enjoy the fruits for only a short period before the exploiter catches on. An exploiter with an innovation, however, by immediately exercising the extra power it bestows,

can convert a short term into a long term advantage, for example by appropriating territory, resources and producers from the domains of other exploiters before these latter can catch up.

The problem exploiters face is how to obtain the maximum from producers without destroying them. Due to ignorance of what the important questions are, ambiguities regarding requirements for maintaining production capacity, and deceit, precise information is not easily obtained. The best approach may well be trial and error: the exploiters specify the amount they want delivered. If this turns out to be easy for the producers to provide, and allows them leisure and prosperity, then the amount required can be raised. By specifying what producers must provide as opposed to what they may keep, exploiters do not damage the incentive to produce as much, and they do not need as much knowledge of the conditions facing producers. As long as work does not exceed the point of exhaustion, producers can assure their own subsistence.³

For exploiters to bring about changes in production methods, however, organizational, supervisory, and management efforts are necessary. They lead to increasing exploiter involvement in the production process. The

³This implies free natural resources, after the fashion of the U.S. Homestead Act of 1862, which gave 160 acres of public land to a "Head of a family" who made use of it by settling on it and improving it. But it should not be overlooked that labor power is such a natural resource. (Indeed the "Head" on a virgin 160 acres might often wish for a larger family with more able bodied members.) The concept of output-leisure trade-off does not direct attention to the fact that labor power is a renewable resource, and that to a point, both labor and leisure contribute to that renewal. If the proportion of labor and leisure is too far on one side or the other, however, renewal is impaired or fails to occur at all. If the exploiters' demands become too onerous, then labor power is not only used, but used up, due to insufficient leisure, and the producer fails to survive, or at least to reproduce.

benefits of this route are that the exploiter has more control over how productive activities are organized, and supervision supplements or even replaces other incentives. The costs are the extra effort required, and the possibility of more drastic mistakes. This is not just because of ignorance and experimentation, but also because the direct involvement of exploiters as well as producers leads to conflicting interests in decision-making and in the management of the productive enterprise.

An alternative route, usually associated with extensive exploitation, is for the exploiters to maintain a "hands-off" position. The benefits of this approach are the small amount of effort required of the exploiters, that production is organized without a continual conflict of interests, and that the producer can usually be made to feel more interest in production under such a system. Also, since little interaction is required, the exploiters and producers can maintain separate communities with minimal social adjustment to one another. Such is the nature of most tribute relationships, and also of some tax-farming practices. The costs include the greater independence of the producers, the comparative ignorance on the part of the exploiters of the production process, and hence the greater capacity for deceit on the part of the producers. They also include the fact that a simple set of incentives generally contains weaknesses and loopholes that especially over time tend to lead to perverse effects. For example, if each household is responsible for making deliveries of a fixed quantity of output, household size might increase; if each adult individual is so responsible, they may hide themselves or at least their age.

A factor that needs to be considered when weighing the capacity for intensive exploitation is the numerical ratio of exploiters to exploited. Its relevance to the degree of involvement is two-fold. Involvement is labor intensive, and requires greater staffing. If supervision is carried out by exploiters, there need to be enough of them in relation to the producers. If supervision is delegated to others, these others must be treated in such a way that their interests will be sufficiently compatible with the interests of the exploiters. Moreover, the concern for sufficient numbers of supervisors does not arise from considerations of coordinating productive activities alone, but also from the danger of producer rebellion.

Plantation slavery probably represents the most intense exploiter involvement in production in pre-modern times. Such regimes go beyond mere expropriation of producers, and beyond occasional intervention in the production process. The process is reconstructed and supervised by exploiters according to their own design. We encounter a complication when considering such regimes, however, because they hardly ever consist of producers and exploiters alone. Instead, a more or less elaborate hierarchy of personnel exists between producers and exploiters. This hierarchy may be rudimentary to moderately well developed in slave plantations; its most elaborately bureaucratized form may be found in the ancient "hydraulic" economies, which involved the management of massive quantities of temporary *corvée* labor.⁴

⁴See Karl Wittfogel, Oriental Despotism: A Comparative Study of Total Power, Yale University Press, 1957.

How do these hierarchies arise? They arise in response to staffing needs associated with intensively supervised production processes. Who makes up these hierarchies? It could be exploiters, in which case the people at the bottom of the hierarchy would face the most onerous tasks of oppression and supervision, usually for a fixed term before being promoted. It could be producers, in which case the most onerous tasks would be performed by those at the top in return for the position and favors given by the exploiters, whose commands they would have to transmit and enforce. It could be a mixture of the two, based on something like the military distinction between commissioned and non-commissioned officers, where producers occupy lower ranks and exploiters upper ranks, and where a barrier to mobility between the two sets of ranks may exist.

To the extent a hierarchy is occupied by producers, it has the advantage of undermining producer solidarity. If exploiters make use of a pre-existing producer hierarchy, it provokes producer distrust of their own institution; if exploiters fashion a hierarchy where none existed before, it is a straight-forward case of divide-and-rule; and if exploiters build a producer hierarchy alongside a pre-existing one, this divide-and-rule tactic creates an enduring base for divided loyalties and bitter conflict among producers.

The feudal vassalage system is an example of a hierarchy occupied by exploiters. In Europe, its secular portion consisted of lords, and was based on the determination of who owed whom allegiance and military service. Patriarchal relations among the male members of an exploiter family also constituted such a hierarchy. Sons often did the "dirty work" at the behest of the father. In many peasant societies the exploiters maintained contact

with a village headman, who was sometimes --in relatively loosely organized hydraulic societies such as China or Aztec Mexico-- selected by the peasants themselves. The headman, perhaps along with other village notables, formed the top of a producer hierarchy, and was responsible for the unpleasant task of handling the tribute payments of the entire village.⁵

Supervisory hierarchies may give rise to a kind of middle class if they are large and stable enough. Probably the best basis on which to distinguish a new class is to show that members' relations with both exploiters and producers are attenuated and stereotyped compared with relations among members of either of the other two classes, and their interests and access to power differ as well. In these circumstances, the middle class is a creation of the exploiters, so it is probably made to largely share exploiter interests *vis-a-vis* producers through an incentive system. However it does not share in the social and organizational networks that maintain exploiter solidarity and power. In fact, exploiters will continually struggle to limit the exercise of power by members of the middle class hierarchy to what the exploiters have explicitly authorized, so as to prevent its use and expansion in building solidarity within the ranks of the middle class itself.⁶

⁵Karl Wittfogel, *Ibid.*, pp. 117-120.

⁶See for example Chung-li Chang, *The Chinese Gentry: Studies on Their Role in Nineteenth-Century Chinese Society*, University of Washington Press, 1955. The Chinese Gentry served as supervisors for the central government, which arranged their recruitment by education and examination (or by payment). About nine ranks existed, and according to their rank, the extent of their influence differed. Chang held that at least the upper ranks could themselves be counted as part of the elite, rather than just as "middle-management", although they remained largely distinct from the Ching rulers. The gentry was responsible for most initiatives within the scope of their influence. This is a relatively sophisticated arrangement (of which more in chapter 4), for the gentry was expected to serve the central government by collecting taxes and maintaining infrastructure, but they were relied upon to use independent judgement rather than carry out specific orders. However, their arduous study apparently caused them to largely internalize a sense of duty; and the central government prevented

In a pre-capitalist system in which producers retain access to means of production, exploiters can bind the middle class to them in a way they cannot do with producers. Producers can be given incentives within the framework of an exploitative system, but there is no way to make them better off than they would be if there were no such system. The middle class, on the other hand, being smaller, may profitably be given a share of the spoils of exploitation sufficient to make them at least arguably better off than if there were no exploitation and everybody were a producer. It may be worthwhile to give a supervisor several times the output of an individual producer, or to allow the supervisor to retain a portion of what is collected from producers, since the supervisor's marginal contribution to the exploiter's yield is the increment in the yield obtained from all of the supervised producers by virtue of that supervision.⁷ In some arrangements,

their gaining excessive power bases by moving them around and by providing bases for factionalism and rivalry. In addition, the frequency and severity of examinations was adjusted from time to time to control the numbers recruited. Probably the decentralization of the Chinese Empire made the distinction between elite and middle layers relatively vague, and perhaps actually dependent over time on the relative importance of local and central power.

⁷This is not to say that the supervisor would be expected to get the whole of his marginal contribution, since it then would not be worthwhile for the exploiters to have a supervisor. It would be ridiculous to say that the supervisor is exploited for this reason, however, since the very position and the income derived from it depends on the existence of an exploitative economy. The supervisor would be expected to get at least as much as is required for him to prefer his position to that of an ordinary producer. Max Weber (in The Agrarian Sociology of Ancient Civilizations [1924], trans. R. I. Frank, Verso, 1988) described a Roman slave plantation as similar to a military base, and likened the supervisor --himself a slave-- to an NCO. The supervisor, or *villicus*, was allowed his own cell; was the only one allowed to marry (Weber noted that agricultural manuals of the time say it is in the interest of the landlord that the villicus be married); and was the only one allowed to own livestock and other property. (See pp. 397-398.) Clearly, some of the reward the villicus got was in the form of status and comforts that cannot easily be translated into terms of output. It may be that the amount of output required to give the villicus a similar level of satisfaction is far greater than the amount it actually cost to provide him the status and comforts. Where material exploitation is accompanied by significant personal oppression, as in slavery, mere relief from some of this oppression can be a cheap way to give a lot of satisfaction.

such as slave chain-gang labor, this increment may be very large, since that mode of production depends heavily on supervision, and is used where a labor shortage threatens because slaves may be able to escape and start a better life out of reach of the exploiters.

The observations just made suggest that one would rarely expect to find only exploiters and producers in a stable exploitative economy. Rather one would expect to find a middle class of organizers, planners and supervisors, whose positions derive from the more or less direct delegation of function and authority by the exploiters.⁸ While one might at first discern nothing more than a status hierarchy with more or less fine gradations of authority all the way from the bottom to the top of the social order, we have also seen above why it is useful to lump at least some of the levels in the hierarchy together, and to speak of a middle class.

Up to this point the discussion has made no distinction between pre-capitalist non-state societies or perhaps societies with a primitive state

⁸Although the market has not yet been discussed, the points being made echo theories of the firm that try to explain why structured hierarchical organizations exist, why the market is not the only link between producing individuals. Of course, the theories themselves, as stated, are of little use here, since our point of departure is an exploitative economy; for us the problem is the reverse, more to explain the relation of exploiter to producer, and eventually to explain how markets function under such conditions. Nevertheless, the insights behind those theories remain interesting in our context. Coase's theorem that market activity involves costs that can under certain circumstances be reduced by transforming market relations into relations of direct planning and authority seems to refer to analogous considerations to ours of the costs of supervision as compared with the costs of "hands-off" modes of exploitation. See Ronald Coase (1937), "The Nature of the Firm," *Economica*, Vol. 4, pp. 386-405. See also Oliver Williamson (1983), "Organizational Form, Residual Claimants, and Corporate Control," *Journal of Law and Economics*, Vol. 26, pp. 351-366. Williamson argues that hierarchies are efficient, and that "... system integrity is promoted by separating operating from strategic decisions and controls" in complex organizations. Two separate layers of authority are unmistakable here, though they are not pictured as we have presented them above.

apparatus held together by exploiters alone, and more elaborate state societies. The middle class has been described mainly in terms of roles that could be played within an exploiter enterprise, such as a plantation. One could think of the middle class as making up part of each exploiter's retinue in an autarkic economic system, in which the manor or plantation is simply a vastly expanded form of the household system characteristic of ancient Athens.

The power struggle which puts pressure on exploiters to intensify supervision of production also pressures them to go beyond autarkic economic arrangements. There are two ways to go beyond autarky. One is to trade; the other is to consolidate one's productive enterprise with those of allied exploiters. The former gives rise to markets, the latter to enlarged administrative bureaucracies. Both involve a considerable elaboration of economic activity. They do not necessarily entail an increase in the size of the middle class, but the increased need for specialized knowledge in the economic sphere implies its greater importance.

It is important not to go overboard in an attempt to give an account of the "rise of the middle class." Their increased importance does not entail increased political prominence. Where exploiters form a tightly knit military caste that holds itself aloof from any kind of economic activity, it is true that the middle class then may enter into the organization of all phases of production and commerce. The expertise and innovative potential of the middle class might be recognized, and exploiters may find it to their advantage to allow it to make policy and pursue business as it sees fit, as long as the result is increased exploiter prosperity and power. Indeed,

where exploiter power seems secure, other phenomena such as the broadening or refinement of tastes among them may further tie exploiters to the activities of the business sector, and may predispose them to policies favoring the free conduct of business enterprise. Thus during periods of rapid technological and organizational innovation, a *laissez faire* environment may obscure exploiter power since it is not directly used for administrative control.⁹ To the extent, however, that there is a rise of individual middle-class members to the exploiter layers, which does become more likely during periods when business is allowed to expand, it is usually better to think of this rise in terms of the cooptation of a few into the upper classes than as a wholesale movement of the middle class upwards. In general the upper class retains its identity, however obscure it may appear

⁹The reference to *laissez faire* as well as the focus in the present chapter on production organization both call to mind only entrepreneurs; so it is emphasized here that bureaucracies and bureaucrats are also meant. Max Weber, in Economy and Society (op. cit.), discusses the power of bureaucracy resulting from administrative secrecy, and from the dependence of rulers on them for information. "The political "master" [i.e. ruler, overlord] always finds himself, vis-a-vis the trained official, in the position of a dilettante facing the expert." (p. 991) Weber adds later, "Only the expert knowledge of private economic interest groups in the field of "business" is superior to the expert knowledge of the bureaucracy. . . . For this reason alone authorities are held within narrow boundaries when they seek to influence economic life in the capitalist epoch, and very frequently their measures take an unforeseen and unintended course or are made illusory by the superior expert knowledge of the interested groups." (p.994) To the extent that subordinates are interested in the outcome of their activities, and are able to act independently of the authorities, authorities will face these sorts of difficulties in non-capitalist epochs as well. However, Weber was careful to emphasize the limits on the power of bureaucracies (and by extension of the economic interest groups as well). Earlier (p.991), he had noted, "The fact that bureaucratic organization is technically the most highly developed power instrument in the hands of its controller does not determine the weight that bureaucracy as such is capable of procuring for its own opinions in a particular social structure. The ever-increasing "indispensability" of the officialdom, swollen to the millions, is no more decisive on this point than is the economic indispensability of the proletarians for the strength of the social and political power position of that class. . . ." Factors such as the capacity of the bureaucracy for solidarity, and the economic, political and social status of its members are important, in view of the fact that rulers may be able to replace undesired individuals, sometimes even wholesale, even if they cannot eliminate the apparatus itself.

to those on the outside. Indeed, during periods of economic stagnation, it can sometimes be seen that when the expertise of the middle class seems less important, exploiters take back control of policy in order to orient it more directly toward their own interests.¹⁰

But the above is only one scenario, the outcome of quaint if not unfamiliar exploiter behavior. An alternative is that exploiters do not remain aloof from the world of business. Most colonial plantation owners thought of themselves primarily as businessmen, not as rulers of a domain. They acquired and maintained the plantation in order to have something to sell on the market, not in order to retreat into a world of their own. They

¹⁰Max Weber (Economy and Society, op. cit.) notes that the stability of the intermediate layers, at least as currently structured, depends on the stability of economic and political conditions, in his discussion of the importance of status stratification. "As to the general economic conditions making for the predominance of stratification by status, only the following can be said. When the bases of the acquisition and distribution of goods are relatively stable, stratification by status is favored. Every technological repercussion and economic transformation threatens stratification by status [political position, prestige] and pushes the class situation [divisions based on economic roles] into the foreground. Epochs and countries in which the naked class situation is of predominant significance are regularly the periods of technical and economic transformations. And every slowing down of the change in economic stratification leads, in due course, to the growth of status structures and makes for a resuscitation of the important role of social honor." (p. 938) For Weber, thinking in terms of all societies over the whole of recorded history, the periods of economic and technical transformations are few and short in comparison with the periods of relative stability. Only occasionally is economic position, organizational capacity, initiative or expertise a major factor in determining social position and power. Normally, social position and power depend on the support of the rulers, the capacity to exert force, or the capacity to exert charismatic (and by extension, hierocratic [not directly based on force: e.g. ecclesiastic]) authority. Since in Weber's usage, class refers quite strictly to economic position and economic interests, the above determinants of position would all most directly determine status rather than class. Modern readers will probably find this comment of Weber's easier to understand if they keep in mind that what he means by stability is what most economists would think of as stagnation. In modern thinking, economic growth is the key to political and social stability. Given that the past two centuries have seen a lot of growth, and given that in that time frame a sudden *slowdown* was indeed associated with social and political instability, the modern thinking seems reasonable. However, it seems illegitimate to project from the events accompanying a slowdown in growth to a situation of permanent economic stagnation.

thus combined in their persons the economic and the military elite. In such a case, however large and important the subaltern commercial and administrative hierarchies may become, the middle class does not usually "rise" unless major economic changes such as in technology or trade allow a fraction to usurp positions of power from some of the old ruling elite. The normal promotion ladder has a clear ceiling.

It is not necessary, of course, for all exploiters to simultaneously be in business and in the military, although a too sharp and permanent division between the two should be avoided to maintain exploiter solidarity. In many Latin American countries, particularly in the nineteenth century, top military officers came from large land-owning families, even though most lower ranking officers and privates came from humbler origins. More recent examples come to mind also. The characteristic feature of the "military-government-industrial complex" in the United States, the "revolving door" through which people move from influential positions in one sector to those in another, seems ideally suited for this purpose in a modern capitalist state society.

In his analysis of modern "western" capitalist societies, Lindblom¹¹ makes an elaborate case for the proposition that the presence of business in government and in the media, its pervasive influence on the conduct of public debate as well as public policy -- are such as to render the term democracy meaningless if applied to such societies. Yet he emphasizes that

¹¹Charles Lindblom, Politics and Markets, Basic Books, Inc., 1977. See especially part V, with the slightly misleading title "The close but uneasy relation between private enterprise and democracy."

there are nonetheless major differences between these societies and both market and non-market oriented societies under dictatorial rule. He uses the term "polyarchy" -- as opposed to monarchy or oligarchy-- to characterize a system of government that in essence is not democratic, but in which the exercise of power is decentralized. Returning to our discussion, polyarchy combined with market seems to be an arrangement in which exploiters can maintain power and a degree of individual autonomy without remaining autarkic, and moreover without remaining tied to a particular constituent or territorial base. One consequence of this may be that they are less vulnerable to "creative destruction" --to technological change-- than they would otherwise be. Since economic as well as military and political affairs remain the domain of exploiters, middle class participation should not be confused with middle class control of business. There is no "rise" of the middle class here either.

It should nonetheless be noted that money and bureaucracy tend to be rival mechanisms for establishing power relations in complex societies. Only where great wealth and high ranking positions are in the hands of a single cohesive group are power relations in society unambiguous. Where some hold the positions and others the money, social instability may result, leading either to a merger between the two groups, for example the three hundred years of arranged marriages between bankrupt aristocrats and wealthy merchant families in Europe, or to revolutionary upheaval. The rise of the market as we see it in the former Soviet-bloc countries will lead only perhaps to an overthrow of the old elites, but definitely to a transformation in the way power is acquired and maintained.

In the course of this chapter, a variety of ways to organize production has been briefly presented, encompassing relatively simple economies as well as the highly complex, cosmopolitan economies of the present day. A frequently observed feature is a middle class, to which some decision-making and execution is delegated. Having now viewed modes of organization of production, it is necessary to return to the discussion of power relations with these in mind. Discussion of power relations based on indirect as well as long term effects of the use of force is needed to show how exploiters can form lasting institutions and allow a degree of autonomy among subordinates while still maintaining their rule secure. This will be the focus of the next chapter. Most interesting is perhaps the observation that in complex societies, exploiters are not the only ones to use force, but relations of power among the exploited and middle classes can be harnessed by exploiters to secure their position and the organization of production as well.

CHAPTER 4: THE MAINTENANCE OF POWER

In the previous chapter, we saw how pressure to change the production process can lead to growing complexity in relations between exploiters and producers. This growing complexity is the basis for a dilemma facing exploiters, who have to balance the costs of supervision against the costs of shirking by unsupervised producers. The dilemma can be best resolved by establishing middle layers, whose full time occupation is the planning, management and supervision of productive enterprises. These middle layers, frequently recruited from among the producers, can be motivated by a system of reward structured to induce people to work hard and to develop interests compatible with those of the exploiters.

We assumed that much of the pressure to make changes in production comes from power struggles among exploiters, as well as from the imperative to maintain power over producers, and, as can now be added, over the middle layers. In this chapter, the issue of power maintenance is discussed in order to trace its impact on the shape of an exploitative economy.

In order to understand the role of power and power maintenance in an economy, we need to grasp its complexity. Force may be an important part of power; most power relations arose at the instance of force; however, not only do many social phenomena develop alongside force to maintain any particular power regime, but the force involved is often more or less deliberately hidden or forgotten. Bartlett notes that in the little discussion that neo-classical economists do engage in on power, vast differences in

vantage points are revealed. Some identify power with coercion; others see a sign of weakness in the obvious presence of coercion.¹ In what follows, an attempt is made to trace social phenomena that can follow from and build on coercion (based on the use of force) in order to get a broader but usable conception of power. This conception, while richer than one focused entirely on the direct use of force, still leaves out of consideration power that is not based on force at all.

Force can give rise to power directly or indirectly. The use of force on one occasion, if successful, not only achieves the immediate objective, but also sets a precedent. Such a precedent may permit the threat of force to replace the actual use of force in the future. Things can eventually get even

¹Randall Bartlett, Economics and Power, Cambridge University Press, 1989. Bartlett cites Milton Friedman, Capitalism and Freedom, University of Chicago Press, 1962, for the assertion that power is coercion, which in turn is defined as the absence of bilateral, voluntary trade; and William Dugger, "Power: An Institutional Framework of Analysis," Journal of Economic Issues, Vol. 14, December 1980, pp. 897-907, for the opposing view that "When power wielders must coerce others, power is tenuous and obvious. When coercion is unnecessary, power is secure and unnoticed." Actually the views may not be as different as they appear. In questioning certain assumptions prevalent in neo-classical models, Bartlett tries to confront the famous argument from Milton Friedman, Essays in Positive Economics, University of Chicago Press, 1953, pp. 3-43, that asserts that the realism of assumptions is not important as long as the resulting model yields good predictions, by emphasizing that he is interested in evaluating the models, not in using them for prediction. Here he does not go far enough. He does not ask why anyone would be interested in unrealistic assumptions to begin with. Presumably he accepts the argument that they are place holders for gaps in knowledge or simplifications of a reality too complex to be modelled. But this would imply, in contrast to the theme of his whole book, that he accepts that economics is mainly about predicting single transactions taken in isolation. Yet Bartlett makes it clear that some of the assumptions are worse than that; they are misleading. To understand Friedman's argument, one has to understand not just its logic, but also his probable motive for presenting it. Friedman was most likely defending the use of metaphor in to make it easier to discuss economic policy while ensuring that "power is secure and unnoticed." One can only wonder whether, if he could be persuaded to leave behind his world of metaphors, he would quarrel with an interpretation of his views according to which he is held to advocate that power be exercised as much as possible through markets and market-like institutions. Though it sounds strange for a member of the libertarian leaning Mises-Hayek school, a naive belief in the withering away of power relations, especially in the case of Friedman, would sound even stranger.

more indirect. Force, together with the threat of its use, can be used to train people, so that they habitually do what they were previously coerced to do. Moreover, such training need not be performed by the exploiters on each individual. Instead, this training becomes custom or tradition, becomes part of the culture of the oppressed, and may be transmitted over generations with relatively little intervention on the part of the exploiters.

The extension of power beyond actual episodes in which force is exercised is a source of two enormous complications. The first complication has to do with the possibility of power being exercised at different levels of directness, simultaneously but for contradictory purposes. This can be illustrated by the apparently paradoxical situation occasioned by a "liberation army". For the purposes of this illustration, abstract from specific historical examples, whose validity as examples would in most cases be subject to dispute, and imagine a liberation army that genuinely intends to overthrow the entrenched exploiters and to establish a regime that allows the exploited population a better life: by lessening the burden of exploitation, by increasing peoples' life chances², or conceivably by putting an end to exploitative relations entirely.

All that is needed to give rise to the paradox is that more needs to be done than simply sweep away the old exploiters. In order to establish a new and viable system, the way of life of the rest of the population has to change;

²The term 'life chances' is defined by Ralf Dahrendorf, The Modern Social Conflict, University of California Press, 1988, pp. 16-18. It refers to a combination of entitlements, provisions, and what Dahrendorf calls ligatures to refer to the context needed to give choices meaning. According to Dahrendorf, 'welfare' does not adequately cover these aspects of human well-being.

and our liberation army finds that the population does not change in the appropriate way, at least, not voluntarily. The army resorts to force, still with good intentions, based on its calculation that the new deal it offers the population is better than the one they had before. It still thinks of itself as a liberation army, based on the view that the measures it imposes are less onerous overall than the measures of the old regime. But therein lies the misunderstanding.

Perhaps the liberation army is advised by intellectuals who pride themselves on their capacity for exposing the exploitative nature of the old society and its traditions. By invoking the memory of the force used in the past to establish these traditions, they try to equate it to force used in the present. They thereby forget (or pretend to forget) that this does not mean that traditions are in fact the same as a current application of force would be. Traditions may be the result of force applied a long time in the past; and at present, they are not understood by the population adhering to them to be imposed in the same way as a current policy. Thus it may happen that the army, by seeing traditions as impositions, will overestimate the degree to which the population feels imposed on; while the population, not foreseeing how the new impositions will in their turn lead to traditions, overestimates the degree of imposition involved in the new regime. Thus it may be that an ultimately less exploitative regime may initially involve more direct coercion than an established regime, and all the more so because the current application of force has to struggle with the residues of a previous application of force.

No more is needed to illustrate the paradox, but more may be involved nonetheless. Traditions among producers are not likely to be pure, unadulterated transmissions of the training imposed by exploiters. Rather, they develop to keep the producers, singly or as communities, at peace with the exploiters on terms as easy as possible. In other words, compliance with the impositions of exploiters is not all there is to the traditions of the exploited. There are also elements of evasion of and resistance to exploiter imposition and of solidarity among the exploited that have developed alongside and now intertwine with the elements of compliance to form the fabric of tradition. These elements make it easier for the exploited to identify with the tradition, and perhaps make the burden of exploitation less onerous than it might appear to an outsider. Most importantly, a liberation army trying to destroy these traditions will (perhaps correctly) appear to the population to be trying to destroy their means of resistance to exploiters.

A large part of the resistance to exploitation embodied in tradition is likely to be limits on labor, on its duration, intensity, and on how tasks are divided. This makes traditions harder to change than would otherwise be the case. The sullen attitude that develops in the face of exploitation is not quickly changed; and until it is changed, it contributes to resisting every other change. A transformation in the social order imposes large, if temporary costs in the form of relearning, extra labor, episodes where force is directly used, and dislocations of all kinds. The more sullen the population and the less relearning and extra labor they are inclined to engage in, the more episodes of force there will be and the greater the extent of dislocations, to the point where the liberation army fails in at least the

liberatory aspect of its project, and finds no alternatives but to become a new cynical exploiter, or disband.

The story need not have been told of a liberation army, however. The same things that would hamper the project of a liberation army would also hamper projects involving change embarked upon by the old exploiters themselves. To the extent that traditions fail to recall their true origins, and resort to myth, magic and religion, they leave the impression on their adherents that dangerous forces other than the true exploiters exist and make demands on them. When either the old exploiters or a liberation army try to impose changes, the exploited typically do not see a simple imposition of force to which they must accommodate. Instead, they often see themselves caught between conflicting forces making contradictory demands. Exploiters and liberators alike may then be surprised by the desperation of the exploited population, and by their apparent lack of rationality. They would eventually discover, however, that changes go easier and encounter less resistance if the mythical forces are somehow recognized and "accommodated".

The above discussion may provoke objections because it appears to impute to the exploited population a lack of rationality. What basis can there be for supposing that the "liberation army" knows what would and what would not be a reduction in the burden of oppression better than the exploited themselves do? Moreover, is it legitimate to restrict our discussion to the kind of knowledge obtainable --at least in principle-- through scientific inquiry? Do not the convictions of the exploited possess intrinsic legitimacy even though they appear to be based on ignorance or error?

These are important questions, and it cannot be satisfactory to reply simply that "the masses are asses," that they are in general irrational, nor that some people count for less than others, nor even that some convictions count for less than others.

On the other hand, it is not that relevant to invoke rationality of the type presumed in analyses of how people in a stable context choose among known alternatives. Too much is unknown, both to the liberation army and to the population to be liberated. Going beyond knowledge, convictions are not always firm and immutable: there is a kind of uncertainty in relation to convictions analogous to uncertainty in relation to knowledge. It may be more appropriate to think in terms of consciousness than in terms of rationality. Marx insisted on the dependence of people's consciousness on the conditions of their existence. Fanon and Freire went further to develop the concept of oppressed consciousness, and emphasized the need for positive action by the oppressed themselves in order to break out of it.³ Their work is particularly germane to the above discussion because of the attention they give to the relation between violence and people's patterns of thought. Just a little more prosaically, Bowles and Gintis have pointed out that people do not only choose, but learn, and learning takes time.⁴ In a

³See Frantz Fanon, The Wretched of the Earth, Grove Press, 1963, and Paulo Freire, Pedagogy of the Oppressed (Myra Bergman Ramos, trans.), Continuum, 1989. Of course, their emphasis on active involvement on the part of the oppressed in their own liberation means that neither of these authors would be much interested in the kinds of change that could result from a "liberation army" coming from outside.

⁴Samuel Bowles and Herbert Gintis, Democracy and Capitalism: Property, Community, and the Contradictions of Modern Social Thought, Basic Books, 1987, ch. 5. The authors note critically that the solution to the problem of how to integrate learning into systems oriented toward individual choice has been --both in liberal theory and in the practice of modern capitalist societies-- to separate the learning and the choosing parts of one's life. Learning takes place in youth under authoritarian auspices with little

similar vein, Hahnel and Albert have constructed models in which preferences are not given exogenously, but are formed through experience, thus changing the material on which rationality acts.⁵ Finally, Bartlett notes that even within the framework of the traditional concept of rationality, including the presumption of perfect knowledge, there is ambiguity: choices based on evaluation of utilities discounted according to time from the moment of choice may differ from choices made by comparing the undiscounted utilities summed over all periods of one's life.⁶ These points indicate that rationality, as understood in economic theory, is never the only, and often not even the most prominent aspect of choosing -- even given that it is always present.

We are far from arguing that a "liberation army" generally "knows better" than the exploited population. All we have shown is that such a claim is plausible, and does not necessarily violate any assumptions about rationality.

We have seen that the first complication resulting from the extension of power beyond episodes of force is that while it may greatly cheapen the establishment and maintenance of an exploitative regime, it may make changes in regime more expensive. The second complication is more far-reaching. The traditions, laws and religions originating from force provide the basis for the systematic use of force by those who are not themselves

room for choice; choosing takes place in adulthood with little allowance made for the need to learn. Most economic theory can thus be said to assume "fully formed adults."

⁵Robin Hahnel and Michael Albert, Quiet Revolution in Welfare Economics, Princeton University Press, 1990.

⁶Randall Bartlett, Economics and Power, Cambridge University Press, 1989. See pp. 30-36.

exploiters. Such use of force may be explicitly or implicitly delegated to others by the exploiters, or it may originate independently.

In the previous chapter, the origin of supervisory middle layers in productive enterprises was traced to the exploiters' desire to benefit from supervised labor without the several drawbacks associated with their doing the supervising themselves. This supervision often includes the use or threat of force. More precisely, the typical schema is that the capacity of the middle layer supervisor to use or threaten force depends on the backing of the exploiters. A single slave driver may whip or threaten many slaves, who often fail to rise up against him because of the greater threat of force from the exploiters that stand behind him.

The supervisors of productive enterprises, however, are often not the only delegates of exploiters. The exercise of force outside of the productive enterprises comes to be delegated as well. The exploiters cease to exercise force themselves, cease to go on forays, and raise armies instead. Historically, this change is associated with developments in military technology that increased the hazards of war and decreased the significance of individual prowess. The new way to succeed was to outstrip others in the accumulation of soldiers.

The raising of armies is associated with a number of problems, the most obvious being how to keep control over an armed force, and nearly as obvious being the enormous expense. Over a great period in history extending from the remote past to perhaps the turn of the nineteenth century, more monetary systems were created and destroyed to pay for

armies and wars than for any other reason. To the extent that armies act under the control of the exploiters and have rules and traditions separate from producers and the rest of society, but compatible with the objectives of the exploiters, their action can be considered a direct exercise of force by the exploiters. The delegation here is direct, explicit, and hardly mediated by law or tradition. The army, unless it mutinies, acts only on command from above, not on its own initiative, this feature surely being one designed to make it easier to control.

The police, on the other hand, almost everywhere organized separately from the army, are able to act to a much greater extent on their own initiative. Typically they do not await a command from the exploiters, but instead act on the basis of guidelines set down as law or perhaps as tradition. Whenever they observe these guidelines being violated, members of the police can and are expected to act immediately and forcefully to restore order, enforce the guidelines, and punish violators. A court system may exist to restrain the police in case they abuse the population, and the threat of army intervention plus a reward system based on hierarchy and promotions usually keep the police sufficiently loyal to the exploiters. Here we have a case of truly delegated force, since the decision to use it, and not just the force itself, has been bestowed on the police. Hence a policeman is much closer in position to the supervisor of a productive enterprise than is a soldier, whose position resembles that of a slave.

We have here arrived at an important point. In complex exploitative societies, the systematic exercise of power based on force is evidently no longer only in the hands of the exploiters. In fact, most of the power is

exercised on an everyday basis by middle-layer supervisors. The exploiters may well concern themselves only with the occasional exercise of power for which an army is required, which serves to reaffirm their sovereignty and their commitment to stand behind (or occasionally to restrain) the supervisory actions and exercises of power of the middle layers.

Foucault has focused on this kind of social structure in order to emphasize what he saw as the increasing importance of power exercised by the middle layer elements of society, what he called disciplinary power in order to indicate that this power is of a different kind than what he called sovereign power, the assertion of right and authority by the state. It is worth citing his explanation at some length:

"... [A]s long as a feudal type of society survived, the problems to which the theory of sovereignty was addressed were in effect confined to the general mechanisms of power, to the way in which its forms of existence at the higher level of society influenced its exercise at the lowest levels. In other words, the relationship of sovereignty, whether interpreted in a wider or narrower sense, encompasses the totality of the social body. In effect, the mode in which power was exercised could be defined in its essentials in terms of the relationship sovereign-subject. But in the seventeenth and eighteenth centuries, we have the production of an important phenomenon, the emergence, or rather the invention, of a new mechanism of power possessed of highly specific procedural techniques, completely novel instruments, quite different apparatuses, and which is also, I believe, absolutely incompatible with the relations of sovereignty."⁷

The last sentence is a little puzzling here. It sounds like a theory of the withering away of the state; which, in my opinion, would overstate his case. He made a distinction between the techniques and organization

⁷Michel Foucault, *Power / Knowledge* (Colin Gordon, ed.), Pantheon Books, New York, 1980; pp. 103-104.

required for the assertion of power and authority and the techniques and organization required for its exercise in maintaining discipline and regulating everyday affairs. However, nowhere did he suggest that the army will be dispensed with; nowhere did he speak of this new form of power leading to the end of class society -- quite the contrary. His program was to break up the theoretical dichotomy between state and civil society, according to which the state was the locus of power and civil society the locus of ideology. Foucault criticized Gramsci's concept of hegemony and even more Reich's psychological concept of repression as inadequate precisely because they both focus attention only on the domains of discourse, thought, and feeling, and are used in analytical frameworks according to which force and power based on force are exercised only by or through the state. For Foucault, power is exercised in civil society through civil institutions in the practice of specialized disciplines. Foucault continues:

"This new mechanism of power is more dependent on [human] bodies and what they do than upon the Earth and its products. It is a mechanism of power which permits time and labour, rather than wealth and commodities, to be extracted from bodies. It is a type of power which is constantly exercised by means of surveillance rather than in a discontinuous manner by means of a system of levies or obligations distributed over time. It presupposes a tightly knit grid of material coercions rather than the physical existence of a sovereign. It is ultimately dependent upon the principle, which introduces a genuinely new economy of power, that one must be able simultaneously to increase the subjected forces and to improve the force and efficacy of that which subjects them.

This type of power is in every (!) aspect the antithesis of that mechanism of power which the theory of sovereignty described or sought to transcribe. The latter is linked to a form of power that is exercised over the Earth and its products, much more than over human bodies and their operations. The theory of sovereignty is something which refers to the displacement and appropriation on the part of power, not of time and labour, but of goods and wealth. It allows discontinuous obligations distributed over time to be given legal expression but it does not allow for the codification of

a continuous surveillance. It enables power to be founded in the physical existence of the sovereign, but not in continuous and permanent systems of surveillance. The theory of sovereignty permits the foundation of an absolute power in the absolute expenditure of power. It does not allow for a calculation of power in terms of the minimum expenditure for the maximum return."⁸

Foucault takes Weber's preoccupation with bureaucracy in new directions. Weber saw the power of bureaucracies arising from their habits of secrecy; Foucault saw the power arising from their production of disciplined knowledge. Weber, though grudgingly conceding its functionality, indicated his contempt for specialised knowledge. Foucault recognized a diabolic sort of creativity behind the specialization and professionalization of knowledge in its capacity to give rise to and maintain forms of power that reproduce, elaborate, and from time to time make changes in the social mechanism. Where Weber seemed to see human robotization, Foucault saw Frankenstein's monster. Finally, where Weber saw ruler sovereignty impaired but not replaced by the bureaucratic staff⁹,

⁸Ibid., pp. 104-105. In Herr Eugen Duhring's Revolution in Science, (op. cit., p. 307), Engels, describing the eventual withering away of the state, writes the famous sentence, "The government of persons is replaced by the administration of things and the direction of the processes of production." Based on the above passage, Foucault could describe the rise of bourgeois society by rewriting that sentence to read: "The government of things is replaced by the administration of persons and the direction of the processes of production."

⁹Characteristic is the following from Max Weber, Economy and Society, op. cit., p. 963, when considering the ranking of officials in bureaucracies by the use of examination scores, grades and degrees: "The necessity of weighing general personal and intellectual qualifications without concern for the often subaltern character of such patents of specialized education, has brought it about that the highest political offices, especially the "ministerial" positions, are as a rule filled without reference to such certificates." For Weber there is evidently a space among the ruling elites where the normal dynamics of bureaucracies do not apply. Foucault does not make it clear whether he thinks this space disappears in actuality or merely is outside the domain of his inquiry. The closest he comes is "The idea that the state must, as the source or point of confluence of power, be invoked to account for all the apparatuses in which power is organized, does not seem to me very fruitful for history, or one might rather say that its fruitfulness has been exhausted. The opposite approach seems at present more promising." (Ibid., p.188)

Foucault wrote as if sovereignty will be -- or already has been, except in ideological constructs -- eliminated and replaced by the new forms of disciplinary power.

The focus on the nature of power in the domain of civil society is extremely valuable. It provides a better "view from the bottom" than Weber's institutional analysis. As individuals, people are far more likely to be exposed to the power of institutions like hospitals, prisons, schools, psychiatric clinics -- and as enlisted or drafted soldiers, the army too -- than to the political power associated with the maintenance of a regime's authority. The power of these institutions is formative, structuring lives, identities, habits and customs. As Foucault wrote of the disciplines, they

"... may well be the carriers of a discourse that speaks of a rule, but this is not the juridical rule deriving from sovereignty, but a natural rule, a norm. The code they come to define is not that of law but that of normalisation. Their reference is to a theoretical horizon which of necessity has nothing in common with the edifice of right. It is human science which constitutes their domain, and clinical knowledge their jurisprudence."¹⁰

The key concept here is normality. It is a commonplace observation that nearly everybody has a clear idea of what is normal in their society or in their organization, while very few know of any formal laws or codes, and even fewer know of or understand those laws and codes that do not correspond to everyday practice. Normality seems more important by far than legality. But normal is often considered to be the same as natural, i.e. resulting from no powers but those of nature. This Foucault rejected. He

¹⁰Michel Foucault, *Ibid.*, pp. 106-107.

showed how various institutions and disciplines changed over time, and how perceptions of normality changed correspondingly.

Our view follows that of Weber, however, insofar as we retain his emphasis on power and domination that emanates from the top of rather than from within society. The continuous institutional power exercised within civil society is not adequate to maintain an exploitative social structure without the backing of force that can be applied occasionally on the basis of strategic considerations, in other words, without the backing of state power. We note with Weber¹¹ that the dynamics of bureaucracy, which Foucault helps us understand much better, cannot be ignored by the wielders of state power. Considerations of legitimacy aside, we mentioned above that for soldiers, the army, the most formidable instrument of state power, is a civil institution in Foucault's sense. In fact, it may have been the model for many of the other institutions. Its is built around a specific discipline that constructs its own knowledge and norms; and this is ignored at their peril by those who use armies. But that does not mean that nobody exists, of whom it could be said that they "use" armies.

It should be emphasized that the distinction between Weber and Foucault is subtle; and there is little over which they would be expected to disagree. However, whereas Weber looked at bureaucracies mainly from the political, administrative, and economic standpoints -- in particular, as a feature accompanying the rise of modern capitalism -- Foucault examined them also in relation to developments in science and technology. Foucault

¹¹See ch.3, above, footnote on p. [13]

had the benefit of critical perspectives on the history of science that had just begun to be developed in Weber's time. Foucault saw science and technology, not as autonomously moving sequences of discoveries and inventions, but as developing products of social organization in the furtherance of institutional and class interests. Hence he was in a better position to see a creative side in institutions than Weber, who was satisfied to dwell on their "rationality."

If we permit ourselves to understand Foucault's analysis to pertain to dynamics among producers, middle layers, and also among the marginal elements of society which constitute the so-called lumpenproletariat or "dangerous classes", and if we view the exploiters as more or less independent of these dynamics, then we could think of civil institutions from the exploiters' point of view as the more or less automated factories for the reproduction of society. This leaves us with a model of society in which there are two kinds of power, one concerned with, as Foucault said, the maintenance of sovereignty, exercised by the exploiters; and the other concerned with production, efficiency, and the organization and control of behavior, exercised by the supervisory middle layers.

In the above discussion, sovereignty is unquestioningly assigned to the exploiters in society. This itself is not likely to be mistaken, unless the entire vision of society presented in this work is also mistaken: but it could lead to an oversight. It could lead one to overlook a functional explanation for sovereignty that --however incomplete-- retains validity whether or not society is viewed as primarily an exploitative apparatus.

No apparatus lasts forever. Conditions change as a result of both endogenous and exogenous causes, and an inflexible apparatus will disintegrate sooner than a more flexible one. The sovereign can provide flexibility to an apparatus that otherwise might lack it. For long periods in the background, doing little, the sovereign becomes an agent of "creative destruction" in the political sphere in times of crisis, rearranging institutions in ways they could not be expected to change in and of themselves. This description corresponds to common parlance. We speak of major changes being accomplished under a regime, and customarily distinguish that from the collapse of a regime, although in both cases institutions and popular lifestyles may be dramatically changed. In the former case the sovereign exists and acts, in the latter the sovereign has disappeared.

So far in this chapter, the social technology of power maintenance has been discussed, and the existence of exploiters, supervisory middle layers and producers has simply been posited. Since a structure of the type described requires that each of these layers play distinct roles, however, and that the proportions between their memberships not exceed certain bounds, we cannot do without discussing how membership proportions and roles are maintained. Hence we need to discuss the attempts to maintain these proportions and roles. Given the tendency for roles and proportions to shift over time, what we discuss below can be thought of as braking mechanisms, but not as equilibrating mechanisms.

Perhaps the most obvious way of slowing a change in proportions among social classes is to fix individual membership. This is the idea behind the famous *shibboleth* technique. This is also what makes Oppenheimer's

thesis¹² so attractive. Oppenheimer fully recognized the existence and significance of classes in the Marxist sense, but rather than describing them solely as economic categories, he related class distinctions to ethnic distinctions. In his account, the ethnic distinctions exist prior to the class distinctions resulting from the subjugation of one ethnic group by another. However, that is merely convenient from an explanatory perspective. For our purposes here, we could just as well suppose the class distinctions to arise first, and the ethnic or caste distinctions to be subsequently created to maintain stability and continuity; only then, we would face anew the problem of explaining the rise of class distinctions in the first place.

Indeed the prevalence and persistence of racism suggest two possibilities. Either racism exists prior to any economic need to "invent" it to maintain class distinctions, or the economic value of such distinctions is always there and recognized. Given the widespread possibility and threat of exploitation, the latter possibility may be true, without, however, the first possibility necessarily being false. It may thus be impossible to distinguish the two in reality.

The key idea is that people be marked, so that their place in society is known and maintained. Sometimes one can make use of indelible natural markings, as occurs in racism and sexism. If such distinctions are not available, not sufficient, or perhaps not generally accepted, then distinctions in behavior can be resorted to. Elster¹³ explores this possibility briefly in his attempt to find the origin of various social norms and to relate them to

¹²See ch. 2.

¹³Jon Elster, The Cement of Society, Cambridge University Press, 1989, p. 140.

rationality and self interest. He recognizes that the very multiplicity of behavioral distinctions that mark people of different classes may serve as a real barrier to class mobility, but he doubts that these markings were actually created for that purpose. The reason for his doubts is that the

"... argument flounders on the fact that working class life is no less regulated than that of the upper classes. Whereas many middle class persons would like to pass themselves off as members of the upper class, few try to pass themselves off as workers."¹⁴

This supposes that only an upper, a middle, and a working class exist. Besides containing the intriguing implication that the middle class may have a less clearly fixed identity than the other two classes, it ignores the existence of a fourth group, not to call it a class. This group consists of marginal elements, the lumpenproletariat or "dangerous classes", and does not have a defined social position, or at least enjoys only diminished protection from the rest of society. In fact, it is characteristic of a large part of this group that they are considered and even consider themselves to be in some way "outside society." Established working class communities may fiercely assert their superiority over these marginal elements, not only for reasons of prestige, but also to assure their entitlement to ruling class protection. For what distinguishes marginal groups is that they are either voluntary or involuntary outcasts from a social order that protects members from arbitrary depredations.

Social norms exist, therefore, to demonstrate group membership to people within the group as well as to those outside; and a social arrangement

¹⁴Jon Elster, *Ibid.*, p. 140.

is likely to be stable if most people have sufficient interest in maintaining their social identity. In many cases, and in particular those of the non-elite groups, this interest in maintaining their own social identity is bound up with the interest of other groups, particularly the exploiting elites, in contributing to this maintenance. Thus the social identity of producers and of other non-exploiting groups is likely to be constructed out of a combination of hegemonic influence exerted by the exploiters, and of influences arising from the respective groups' own traditions and initiatives.

As a result of this combination of influences on the non-exploiting classes, a variety of responses result. Some people or groups might have no problem with the predominant social identification scheme, but may nevertheless assert their identity --partly an exploiting class construct-- *against* the exploiting class, or at least as often, *against* other similarly identified groups that make up the society. Others may attempt to reject either the whole social identification scheme, or at least their own assigned position in it. The former sooner or later face the contradiction within their identity; the latter face the need either to construct a new identity to replace what they have rejected or to face the consequences of individualism: the weakness of social fragmentation and anomie.

In a traditional society, in which social positions are long established and role conceptions the residue of a long interweaving of producer and exploiter influence, the dominant attitude on all sides is likely to be simply conformity. Only when objective conditions, whatever they may be, make conformity no longer advantageous does the society become unstable. The source of trouble, at least initially, is that people can no longer play their

accustomed roles, perform their customary obligations, and enjoy their customary benefits.

During periods of rapid social transformation, the story thus changes. Proletarianization, for example, involved the dislocation of masses of people. Not only are producers bereft of means of production by "original accumulation" on the part of exploiters, but they are thereby also separated from their social and geographical environment, from almost every aspect of their former way of life. Thus the masses of producers become dependent on the exploiters, no longer just for being allowed to live and produce, but for their very way of life. The balance of components in the social identity of producer classes shifts, and one would expect a greater part now to result from the hegemonic influence of exploiters than before.

This is not to say that the hegemony of exploiters becomes all-powerful. It could just as easily be said that it is not powerful enough. The preoccupation of twentieth century social thought with problems of anomie and of socialization would be strong evidence in favor of the latter proposition. Besides, there have been opposing attempts at achieving hegemony. Sorel's construction of the myth of socialism and of the general strike was intended as a way to achieve a revolutionary hegemony that would give producers a sense of identity as part of the whole working class.¹⁵ In recognizing a need for this he distinguished himself from other

¹⁵Georges Sorel, Reflections on Violence [1908](T. E. Hulme, trans.[1950]), Collier Books, 1970. A passage (p. 127) reads: "... [T]he general strike is indeed what I have said: the *myth* in which socialism is wholly comprised, i.e. a body of images capable of evoking instinctively all the sentiments which correspond to the different manifestations of the war undertaken by Socialism against the modern society. . . . The general strike groups them all in a coordinated picture. . . ."

Marxist thinkers who took class identity as a nonproblematic given and immediately went on to such questions as class alliances.

In his thoughts on Americanism and Fordism, Gramsci¹⁶ explored the initiatives of Henry Ford and the work of Frederick W. Taylor as coordinated techniques in the construction of a new industrial working class, or perhaps, labor aristocracy. Every detail of the labor process, but also every aspect of the workers' home life, education, spiritual training, sexual habits and consumption behavior were gone over. It reflected an awareness that by itself, the negative process of proletarianization created a reserve army of labor that was of very poor quality from the standpoint of the needs of modernizing industry. Apparently not just socialists but also capitalists are interested in building a kind of working class culture. However, the capitalist version emphasizes the distinction between a relatively "established" working class and a marginalized sector of casual laborers or lumpenproletariat.¹⁷

¹⁶Antonio Gramsci, Selections from the Prison Notebooks (Quintin Hoare and Geoffrey Nowell Smith, eds. and trans.), International Publishers, New York, 1971, pp. 294-313.

¹⁷See Robert Cox, Production, Power, and World Order, Columbia University Press, New York, 1987 for an elaborate presentation of a theory of the world economy as a system consisting not of one "dominant" mode of production, but rather of numerous interdependent --as he calls them-- modes of social relations of production. Cox identifies twelve such modes (See p. 32): subsistence, peasant-lord, primitive labor market, household, self-employment, enterprise labor market, bipartism (labor - capital balance of power with negotiated agreements), enterprise corporatism, tripartism (state - labor - capital balance of power with negotiated agreements), state corporatism, communal, central planning. These modes are by no means co-terminous with national boundaries; in fact, almost every nation consists of varying combinations of them. One result was to be able to show how non-homogeneous the working class is; another was to show how various regimes are characterized by complex combinations of modes of social relations of production, rather than by just one dominant mode. This picture suggests that a complex caste system might develop in place of the simple class dichotomy Marx envisioned, unless change is fast enough to prevent social ossification. In that case, even our inclusion of a marginal sector in our discussion does not save us from oversimplification. Elster's work is based heavily on his research on labor

The organization of an exploitative regime in a modern state society requires continuous differentiated socialization of its members, so that visible distinctions between them persist, and more importantly, so that each group continues to fulfil its functions effectively. Such socialization imposes a heavy burden, both on individuals and on the society as a whole. In the next chapter, we will extend our exploration of the dynamics of power in order to arrive at an image of society in which most constraints are endogenous, or in other words, in which economic pressure is due less to the niggardliness of nature than to the demands of social organization.

management relations in Scandinavia, where the working class is as yet relatively undifferentiated, and where the marginal sector is socially insignificant.

CHAPTER 5: ISSUES IN THE SOCIOLOGY OF POWER: KNOWLEDGE, TRUST, AND CLASS

The previous four chapters have been devoted to the construction of images of society in which the exercise of power causes and regulates economic activity. The foundation of most economic models, however, is an image of society in which economic activity is caused and regulated by scarcity: the confrontation of individuals with limits on resources available to satisfy their wants and needs. What difference does it make, which image of society is adopted? Are the images destined to become contradictory and competing hypotheses; or will they, in spite of the vastly different array of ideas they currently give rise to, eventually turn out to be just different links in the same chain of reasoning?

What makes progress on these questions so hard is also what may have led economists to favor models based on scarcity. Scarcity is a relatively well understood concept, especially from an individualist standpoint. Power is not. Models based on power relations face the acute challenge of explaining what power is and how power relations arise; whereas models based on scarcity, though occasionally facing similar challenges, at least have resort to widely accepted answers. If models based on power are to be accepted in economics, then power must be more clearly understood.

This kind of understanding of power can be achieved with some difficulty. Perhaps the most typical approach is a stepwise process motivated but not necessarily guided by intuition. In sociology, progress has been made through the careful displacement of functionalism with

methodological individualism. Functionalism, an approach which tries to explain human behavior in terms of how that behavior contributes to the maintenance of the social structure, has the merit of drawing the attention of researchers away from the individual to society, and of emphasizing the importance of context to understanding the individuals' behavior. It was a much needed response to the radical individualism that pervaded social thought, and that continues just barely challenged in economics.

The drawback of the functionalist approach is its tendency to go too far. Not content with pointing out the importance of social context, it often sees society as an organism, and reduces the role of individuals in it to that of constituent cells. Inspired by the behaviorist movement in psychology, adherents of the functionalist approach felt that not only perceptions, learning and status, but also motives --though of course expressed by individuals-- were formed by society as a whole. A number of difficulties plague this approach, but most can be reduced to the one that it begs the question, how society came to be what it is in the first place.

The functionalists never answered this question. Though for ideological reasons, the functionalists mostly steered clear of Marxism, one could nonetheless speculate that their confidence in the possibility of answering this question relied on the confidence of Marxists in historical materialism. In any case, both approaches were challenged in the same way at the same time, and have faced similar difficulties since.

The challenge came from theorists taking more of an individualist approach. These are not radical individualists who fail to see in society

anything more than an aggregation of individuals isolated from one another except in market transactions. They reject the "ideal gas" model of such individualists as well as the organic model of the functionalists. They accept the functionalist emphasis on society, but insist on explaining it in terms of "microfoundations". In other words, the structure of society must be explained as a product created and maintained by the actions and motives of the individuals that make it up. They insist that only individuals can act; and that means only individuals can think, know, believe, want, trust, suffer, remember or speak.

The most favored term for this approach is methodological individualism. Unlike radical individualism, it recognizes the capacity of individuals to interact in a variety of ways that go well beyond the transactions envisioned in market models. The capacities actually recognized vary somewhat from one researcher to another; but all share the program of re-explaining the insights of functionalism and historical materialism, of showing how the most complex social phenomena can be understood in terms of the actions of individuals.

In what follows, we will show how methodological individualism has led to progress in our understanding of power by discussing two differing works using this approach, that of Coleman¹ and that of Barnes.² Some problems and extensions will be addressed in the course of the discussion.

¹James S. Coleman, Foundations of Social Theory, Belknap Press, 1990.

²Barry Barnes, The Nature of Power, University of Illinois Press, 1988.

Both Coleman and Barnes agree that power resides in the capacity of individuals for action. What gives power its social aspect, and makes it so important in constructing social order, is the particular capacity of individuals to vest authority in others. This capacity to vest authority in others, to permit others to determine one's actions, lays the basis for hierarchies and coordinated action. In characterizing the vesting action, Coleman speaks of trust, whereas Barnes speaks of knowledge. The difference is explained below; let it here just foreshadow the divergence in their approach.

Both Barnes and Coleman make much of the recursive nature of, respectively, knowledge and trust. For Barnes, social power accrues to a person by attribution; and the more people hold that individual to possess power, the greater the likelihood that yet others will come to share that attribution. This increase in likelihood has two sources. First, the attribution itself: the more widespread it is, the more likely it is to be perceived as consensus or unquestioned fact. Secondly, the capacity for action of the person to whom power is attributed is thereby enhanced; so this person's actions can themselves confirm and spread the attribution. For Coleman, the story is similar: if a few people place trust in a particular person, it may encourage others to do the same; and also, the support of the others makes it easier for the trusted person to justify the trust conferred. The similarity in their thinking in this regard is underlined by the fact that both use Talcott Parsons' analogy between power and money as a point of departure.

Barnes and Coleman differ when they begin to discuss just what is distributed through communicative action. The knowledge Barnes refers to

is a broader concept than trust. Coleman is preoccupied with the problem of trust, and appears to write in a tradition that harkens back to radical individualism: a profound mistrust for language and gesture. In this tradition, deception looms large, and the corrosive effect of deception on collective action and social structure appears as the central problem. The many valuable contributions made with this approach make it easy to forget how limited it is.

Besides the "fear of the lie" there is also the "fear of the truth." We have all had experiences in which the uneasiness aroused by a statement somebody makes is due not to the possibility of its being false, but rather to the possibility of its being true. This fear extends particularly to cases where a statement becomes more and more true as it achieves wide circulation and acceptance as "knowledge." It would be wrong to speak of such a fear as irrational, as a psychopathological case of denial. It is rational. It is a response to an unpleasant possibility, the assertion of which enhances the likelihood of its realization.

Barnes describes the distribution of social power as the distribution of knowledge. Although he does not systematically distinguish the elements that make up this knowledge, his use of the concept indicates that he recognizes a number of components in that distribution. I suggest here that it is useful to conceive not only of a distribution of trust, but also a distribution of fear. Both distributions tend to be self-reinforcing, but in the case of the distribution of trust, the possibility of deception presents itself as a kind of Achilles' heel. The more solid the build-up of trust, the greater the opportunity for deception. Trust and doubt are inseparable partners.

No such partner exists for fear. Thus the distribution of fear is self-reinforcing with no reliable counterweight. Contingencies may be hoped for; a chance event may suddenly reveal to all that "the emperor has no clothes" or "imperialism is a paper tiger"; but such events are less and less likely to occur as the distribution of fear grows, for the awareness of such an event must include the awareness that many others see the same thing.³ As fear grows, though, so grows the isolation of individuals from one another, due in part to mutual mistrust, and in part to a recognition of the mistrust by those in power of gatherings of people.

If in many cases there may be "nothing to fear but fear itself," perhaps the most common detractor of a distribution of fear is a competing distribution of fear. This is the condition characteristic of war-time. Opposing sides both make credible threats on individuals, each side demanding action against the interests of the other. In such a high pressure environment, the "damned-if-you-do-damned-if-you-don't" dilemma reduces the net effect of fear on the actions of individuals by cancellation, and allows otherwise weaker motives to come to the fore.

³A vivid discussion of these dynamics can be found in Timur Kuran, "The East European revolution of 1989: is it surprising that we were surprised?" American Economic Review, May 1991, 81, No. 2, pp. 121-125. He argues that prior to 1989, there was considerably more opposition to the then-existing regimes than one could easily see, but which was not expressed due to fear. But that is only half the story. He adds that the rapidity of change was unanticipated also because there was considerably more support for those regimes than would now appear to be the case. Fear now prevents the supporters of the old order from participating in ways that would retard the current changes.

Outside of wartime, though perhaps assisted by the memory of wartime, the distribution of fear could perhaps be seen as the most prominent component of the distribution of knowledge. But such a view could lead to all kinds of oversimplifications, one of which would be to leave the distribution of trust out of account altogether.

When referring to the distributions of fear and trust and speaking of their overlapping or diverging, we could be referring to two things. One is the distribution over events. For example, when analyzing compliance with a particular law or norm, or the stability of a monetary system, the relative importance of fear and trust in each case could be assessed. The other is the distribution over individuals. When analyzing the position of various individuals in a society, one can assess the relative importance of trust and fear in affecting their actions in general. Although Barnes makes no explicit distinction between fear and trust, he appears to make use of the second approach.

Barnes notes the tendency for people with similar access to power to associate with one another in preference to associating with people with substantially different degrees of access to power. He attributes this primarily to the ease with which relations based on reciprocity can be maintained among equals, but he might also have added that the element of fear is minimized. Barnes does go on to note some implications of the fact that people with more power can benefit more from relations of reciprocity than people with less power. One would expect ties to be stronger among the powerful --enhancing their power-- than among the weak. One would expect trust to play a more important role among the powerful than among

the weak. The powerful have mutually more to gain from maintaining the relationships with their peers, and their confidence in their own power allows them to be reasonably trusting in their relationships with subordinates as well. The weak, on the other hand, will lose less from breaking trust in their relations with peers, and it is precisely the element of fear in their dealings with the more powerful that allow those in power to trust them. Thus we can see that fear plays a more important part among the weak than among the powerful, while with trust the reverse is the case.

When taken together, the effect of the distributions of trust and of fear must be to facilitate the division of a hierarchic society into distinct classes. In the case of a society already made up of separate classes, it clearly must contribute to preserving the class divisions. Solidarity within a ruling class should be found to be greater than within a ruled class. Moreover, solidarity should be expected to increase in a group shifting from a class-less context to become a ruling class, for example, in conquerors. It is perhaps not immediately obvious that solidarity should be expected to decrease in a group that shifts from a class-less context to become a subordinate class, for example a conquered group. It becomes apparent, though, once one distinguishes between the need for solidarity, which a conquered group clearly experiences, and its actual presence; and also if one remembers not to imagine the class-less condition to be an idyllic one, but rather one that may need to be defended.

Barnes scoffs at "emanationist" theories of power, theories which hold power to inhere in certain individuals or groups:

"Our very language and linguistic idiom are structured around this emanationist conception. Dominant figures are 'powerful', as if jugs of power have been poured down their throats. They 'possess' power, like the finery they wear and the silver in their dining rooms. Power is 'divided' or 'distributed' amongst them like the spoils of war or the food at a banquet. Custom being what it is, one must needs employ this emanationist idiom, at least to some extent. But it remains the case that power, capacity for action, is actually right down there amongst the supposedly powerless, and that it is only discretion in use which is strongly concentrated at the higher levels of society."⁴

For Barnes, social power is this 'discretion in use' that appears in the just cited passage. Individuals have power --and that is inalienable-- but they can give others discretion over its use. Barnes is clear that this giving of discretion may be voluntary only in the most limited sense that it requires action on the part of the individual. It need not be voluntary in the sense Coleman implies when he speaks of the bestowal of trust. Barnes uses the example of an extermination camp:

"Thousands of inmates are controlled by but a few armed guards: a mass attack upon the guards would almost certainly succeed, even if at the cost of several casualties. . . . Why is it that in so many cases the potential for concerted disruption never becomes actual? It is because to act in concert requires communication, shared routines, organization, direction, control, and such things are often both technically difficult and risky to establish."⁵

Here Barnes tells us that the distribution of knowledge in the camp just about forces the inmates to give discretion over their actions to the guards; but I think he overstates his case. He would have us think of all power relations in this way, which would obliterate a distinction which his analysis allows us to make. It would obliterate the potential distinction between the

⁴Barnes, *ibid.*, p. 62.

⁵Barnes, *ibid.*, p. 43.

discretion *bestowed* by members of a ruling elite on a particular leader in order to coordinate their actions, and the discretion *given up* to the ruling elite by the subordinate classes.

The distinction is that in the the former case, a change in the distribution of knowledge can be achieved by negotiation among the followers, such that discretion over the use of their power shifts from one agent to another, and the nature of the discretion itself can be modified; while in the latter case, no interactions among followers would lead to change in the distribution of knowledge, in the agent exercising discretion over their actions, or even in the nature of that discretion. Consider the case of an extermination camp where the guards are sufficiently numerous and armed so that even inmates coordinated by the 'hand of God' would fail to overcome them. An extreme case, to be sure, but it highlights a continuum.

We remain with the question, why Barnes did not make the distinction between trust and fear explicit. The answer must of course be speculation, but most likely Barnes would consider such a distinction a minor matter. These two distributions that we hold up as part of what Barnes refers to as knowledge might for him in fact be a rather minor part. Barnes is a reluctant methodological individualist; in fact he denies being one; but he then goes on to explain why he makes use of methodological individualism for his argument:

"I am not an advocate of methodological individualism, nor do I believe that self-interest comes even remotely close to being a sufficient basis for human action. I emphasize this last point particularly, because in the text I occasionally assume the priority of self-interest for simplicity: the condition of extreme individuation wherein action is wholly oriented to self-

interest never exists as an actual state of affairs but for the purposes of my argument it often provides the worst possible scenario, allowing the generation of conclusions which will stand even more securely where there is altruism and a willingness to give priority to the objectives of other people."⁶

Barnes' quarrel with methodological individualism does not, however, focus on the relative importance of egotism and altruism as attitudes. Rather it has to do with his conception of knowledge, and particularly those aspects of his conception that go beyond either trust or fear. Referring to research on learning in children, Barnes states:

"In the acquisition of language and the acquisition of knowledge, the child reveals an inherent sociability. . . . From the start also . . . there is an inherent tendency to habituation of response and routinization of perception, and a corresponding tendency to presume similar habituation and routinization in the responses and perceptions of others. Without these tendencies being present from the very start it would be impossible for the individual terms or signifiers of a language to be learned, and the acquisition of practically applicable bodies of knowledge would be prevented. . . . Clearly it is a mistake to ask what must be added to human nature to transform people from calculative egoists to conforming social actors. People can only *become* calculative, knowledgeable individuals, capable of formulating their own ends and planning their own fate, as they become members with a place in a social unit."⁷

Here we have Barnes' point in a nutshell. The individual cannot be taken for granted. Self-interest means little without identity, the capacity to set goals and formulate plans -- but these are all developed through social interaction. While methodological individualism improves on older individualist conceptions by recognizing a wide variety of human purposes, cognitive faculties and capacities for communication, it thereby begs the question how those purposes, capacities and faculties came to be developed. The older individualism had managed to avoid such issues by ignoring

⁶Barnes, *Ibid.*, p. xiii.

⁷Barnes, *Ibid.*, p. 34.

sociability, and by depicting people as engaged in an essentially lonely struggle for biological survival. That image left little room for doubt that all individuals had essentially the same goals --perhaps determined by instinct-- while social identity seemed to be a frivolous issue.

Barnes' conception of knowledge goes beyond game-theory. It covers the way people see themselves and others and the routines and customs with which they are familiar. It is from this domain that motivations and formulations of purpose arise; and only from that point on can game theory be used to explain action.

The increased complexity in this scene, it should be noted, derives not so much from an altered view of individuals as it does from an altered view of the environment in which they act. Mainstream economic theory posits an environment for its individual actors in which scarcities of goods and natural resources threaten survival, or at least contentment. The same goods and resources attract the attention of all. The central focus has therefore been on the social organization that results from the struggle of humans against nature. The view we have been developing here, with considerable help from the sociological literature, is that the physical environment is not alone in attracting and directing the attention of actors. If anything, human attention is directed at other humans first, and only secondarily at non-human aspects of nature. The particular scarcities that confront and preoccupy each individual are determined less by conditions of non-human nature than by social relations of role, status, class, knowledge and power.

CHAPTER 6: CONSEQUENCES FOR ECONOMIC THEORY AND POLICY

It may be useful to summarize the main ideas from previous chapters. The first idea pertains to the organization of society and how economic theory imagines it. The picture typically is of individuals confronting a physical world that leaves something to be desired. The struggle with limited natural and technological resources is emphasized, and society is depicted as a somewhat tense cooperative arrangement directed toward this struggle based on individual interests and involving the division of labor through the market or through other institutions. The particular pattern of resource availability and scarcity at a certain time and place determines the form society will take there. Where this kind of determinism is not explicitly asserted, it underlies economic reasoning by default, for the simple reason that the picture of society contains no moment independent of the struggle with nature. No economic struggle, no society.

We on the other hand have attempted to emphasize the significance of dynamics not arising from the physical world of resources and technology. We have referred to studies of "primitive" societies to suggest that their struggle with the physical world was not necessarily intense, almost certainly not more intense than in modern societies, and that yet their social life was rich and sometimes dangerous. We agree with the Marxist view that exploitation arises as a result of people's capacity for producing a surplus over what they need to survive, but see this capacity as having existed prior to any development customarily thought of as technological progress. Therefore bottlenecks to the expansion of exploitation probably need to be sought in the development of techniques for harnessing surplus producing

capacity. These techniques --means of exploitation-- include weaponry, surveillance, and social organization.

This brings us to the next major idea: that no society ever has been or ever will be a purely market society. Not only do non-scarce resources create a greater or smaller domain for non-economic institutions and activities; but in the case of all exploitative societies, the social organization of exploiters and, for resistance, of the exploited as well, requires institutions other than markets. Transaction costs help explain why organizations other than markets exist, but are only part of the story. The cultivation of solidarity and discipline within groups as well as distinctions between groups is necessary to maintain an exploitative apparatus and requires habits, traditions, and patterns of specialization that markets do not give rise to, and may indeed tend to undermine.

Thus the story of any social system is a story of power and not only of production and exchange. The analysis of institutions must take this into account. For example, consider the old question of monopoly. Neoclassical economists have long recognized at least the potential for deleterious effects of monopoly on the economy, such as reduced supply and higher prices for goods than in a competitive environment. They usually also hold that if market forces are not "artificially" restricted, they would work to destroy existing monopolies and restore competition to all branches of production. On the other hand, Schumpeter and most Marxist economists, typically thinking of economies of scale, hold that market forces themselves could give rise to monopolies. Schumpeter therefore argued that monopolies are not necessarily harmful because they are still temporary and vulnerable, since

what arises through market forces could eventually fall too, for example if new inventions or changing tastes alter market conditions.

Marxist theorists, however, hold that although monopolies may arise in a competitive market, they will not so easily succumb to it. This is due not only to their market power, which Schumpeter's arguments show to be inadequate over the long term, but also to other forms of power which they acquire. It is these other forms of power which form the basis for the orthodox Marxist forecast of the transition to socialism. The concentration of power resulting from progressive monopolization would extinguish the market and lead firms to increasingly resemble state institutions by acquiring their forms of power. The dwindling number of capitalists would however become increasingly vulnerable to a revolutionary takeover from below, a takeover that Marxists often felt the proletariat would be in the best position to organize. Thus economic activity would come to be administered as a centralized state enterprise.

Whereas the orthodox Marxist vision recognizes non-market power, it fails to analyze it properly. Especially the "diminishing number of capitalists" is misleading if not altogether wrong. Such varied phenomena as the joint stock corporation and the credit market, the expanding but not so new "new middle class" consisting of professional and management personnel, and the failure of the monopolization process to continue to the end extrapolated for it, were all cited by Bernstein long ago as indications that something was seriously wrong with the Marxist prediction.¹ What was

¹Eduard Bernstein, Evolutionary Socialism (Edith Harvey, trans.), Schocken Books, 1961.

wrong with the analysis behind the prediction was a confusion between juridical relations and power relations. Much as in neo-classical analysis, orthodox Marxist analysis assumed the "capitalist" owner to have all the rights typically associated with property ownership, and all the power associated with those rights.

The literature on the distinction between ownership and control following the work of Berle and Means² exposed some of the problems with that assumption. Ownership, as defined by stock holdings, could be shown to be quite dispersed, so that some felt that control of corporate activities had been lost by the old capitalists and had devolved to a new managerial elite. There are problems with this idea, though it would take us too far afield to discuss them. It suffices to note that one can exaggerate the shift in the locus of power, and that the distinction between the capitalist owners and top management can easily be overdrawn as well.

The modern business enterprise is not the capitalist analogue to the feudal manor. There is no one-to-one relation between capitalists and enterprises. Enterprises are institutions through which capitalists exercise power, but they are not typically the personal extensions of any particular capitalist. Thus we need to look beyond the interest of particular individuals in order to understand the workings of enterprises. It may be too heady to speak of the interests of the capitalist class as a whole, since there may not be a unified whole; but if we allow for factions, then the emphasis on the collective nature of the capitalist class should not lead us astray.

²Adolf A. Berle and Gardiner C. Means, The Modern Corporation and Private Property, Harcourt, Brace and World, Inc., 1932 [revised 1968].

Thus one orthodox Marxist error was to associate the number of capitalists with the number of enterprises. Another error was to predict the rise of non-market power out of the centralizing tendency in market competition, as if such non-market power did not exist before. Analysis should rather have been directed to the relation of non-market power to various capitalist institutions. A vivid example can be found in Schelling's account of organized crime.³ A syndicate extorts money from restaurants. In order to legally recognize payments in both its own and the restaurant's accounts, the syndicate arranges to provide laundry service. The service is a monopoly in a certain neighborhood, and sure enough, it charges high prices. But it does not charge high prices because it is a monopoly, nor is it a monopoly due to the outcome of market competition. Instead, both monopoly position and high prices are results of association of the laundry service with extortion.

Consideration of non-market power in the hands of business enterprise leads to a shift in the analysis away from monopoly and market share and toward simple size. Large corporations make more power available to top management than do small ones: power to obtain finance, power to engage in and win legal disputes, access to other sources of power, and in some cases power to hire private armies. The pursuit of such power must be behind the formation of large conglomerates, which do not affect the degree of monopoly much, and where risk reduction through diversification may only be an ancillary purpose. But even this has its limits. Recognition

³Thomas C. Schelling, Choice and Consequence, Harvard University Press, 1984. See ch. 8: "What is the business of organized crime?", pp. 179-194.

of the impersonal nature of business enterprises suggests that their size and activities could be modified for purposes not arising from the internal economic logic of the enterprise itself.

The enterprise does not act in its "own" interest, at least not automatically, but rather in the interest of a shifting array of individuals with a variety of links to it. One might deduce that analyses using principal-agent models may not be too relevant -- from the observation that the "principal" is so hard to define. In such a context, the requirement that an enterprise in a market economy make profits to persist does not so much define the prime goal of the enterprise as place a constraint on what can be done with it. Only in an environment where people --especially in the ruling strata-- have been socialized to identify with enterprises conceptually and emotionally will actions generally be guided by the positive "interest" of the enterprise. Such socialization, however, is not uniformly characteristic even of capitalist countries.

What cuts across the "interests" of the enterprise has to be other interests, of either individuals or collectives. But enterprises, at least as envisioned in economic theory, are institutions for efficiently choosing what to produce and how to use scarce inputs in production. If input scarcity is acute, interests might be expected to revolve around economizing, thus secondarily around maintaining economizing institutions. That would be the best possible environment for enterprises as conceived by economists. What if something other than inputs is scarce, and thus the source of social preoccupation?

Social status is not a productive input, and yet it might be scarce. The dynamics of social status resemble those of money: excess "production" of status positions leads to their depreciation. Thus the "production" of status positions must be associated with the production of institutional structures that support and legitimize them. The organization of enterprises as well as of other institutions may reflect the need to create and maintain status positions. Thus there may be more top and middle level management in an enterprise than would be considered efficient if the enterprise were to be seen as only an institution engaged in production; or there may be more separate enterprises in an industry, to accommodate "independent entrepreneurs", than is warranted by considerations of efficiency; or there may even be more regulatory agencies watching over enterprises than might otherwise be considered necessary. The need to preserve solidarity within the ruling elite dictates that members be provided with secure and suitable positions.

Stability of social structure may even call for attention to providing appropriate subaltern positions for other members of society. Here we speak of keeping order at the bottom of the social hierarchy, rather than maintaining privilege at the top. Mizruchi⁴ describes a number of institutional arrangements that came into existence, or more often were modified and grew beyond their original proportions, in order to accommodate marginal populations that were threateningly large and disorganized. Monasteries, armies, schools, as well as less formal institutions were at one time or another made to serve this purpose, to give a sense of

⁴Ephraim Mizruchi, Regulating Society, Free Press, New York, 1983.

participation in society to people for whom there was otherwise no place, and at the same time to keep order among them.

How important is status and position in society? Since they are related to power, one would expect them to be very important; but we can do a bit better than remain with expectations. Consider what poverty is like. The romanticized image of poverty associates it with freedom. According to the vision, by doing without wealth and comforts one can escape the arduousness of work and the hassles of social regimentation. But this is not poverty. It is often noted that the reality is a "segmented labor market": the lowest wages are associated with the least desirable work under the most unpleasant conditions. For those altogether without work, an unprotected status often combines with more or less severe restrictions on movement and other activity to create a humiliating and regimented position, precisely the opposite of the romanticized ideal of proud freedom. The degradation associated with poverty reflects the importance and scarcity of status and the prevalence of violence.

Hirschman argues that the vehemence of what he called the passions for power, status, and sex seemed in the eyes of Hobbes and other thinkers of pre-capitalist and early capitalist Europe to threaten to tear society apart; and that the response to this was lively investigation of ways of regulating the passions by balancing them against one another.⁵ It is through such a balancing act that a calculating interest is formed; and through its direction toward economic pursuits, primarily towards accumulation of wealth that its

⁵Albert O. Hirschman, The Passions and the Interests, Princeton University Press, 1977.

intensity is rendered relatively harmless. According to this view, much economic activity is sublimation of passion to maintain peace and order, and not a response to material needs. The structure and development of business enterprise --as of other institutions-- should be expected to reflect this.

The above observations would thus lead us to expect real business enterprises to differ from what is envisioned in economic theory for the following reasons:

- Businesses do not operate in a "pure market environment", but in a social framework in which structures of power, status, and exploitation are maintained;

- Businesses are themselves not purely "economic" institutions, but are to a greater or lesser extent part of the social framework in which they operate;

- Businesses are not entirely autonomous institutions, but may be organizational "tools" brought into being, modified or eliminated in accordance with "outside" interests rather than market forces;

- Businesses nonetheless face concerns discussed in economic theory, but access to non-market power provides an alternative to achievement of economic efficiency as means to goals such as maintenance or maximization of profit or market share.

By business is meant the private sector in a capitalist economy, but what has been said of it above holds *a fortiori* for the public sector. The difference between "public" and "private" firms tends to be exaggerated in abstract comparative analyses, however, so it is worth emphasizing that

features commonly associated with government or public enterprise also characterize the private sector.

Shifting focus from business enterprises in an environment involving power relations to power relations themselves and how they impinge upon business and the market, two aspects should be noted. The first aspect is of power's appearance as a factor of production. If property rights are not assumed to be given once and for all and universally protected, if they can form, shift, and disappear over time, and if protection varies, then the power to claim and defend property is something an entrepreneur must acquire or get access to in order to be able to conduct business. Since access to power incurs costs much as any other input would, viewing it as a factor of production seems to have some legitimacy. Another aspect of power, however, makes this view misleading.

Power is not an input in inventory that can be added to or subtracted from in an easily calculable manner. Of course, in some simple cases it appears to be, such as when a firm determines how many security guards to hire to protect its plant based on calculations comparing costs with expected benefits. But even in this simplest of cases, principal - agent problems arise to complicate the picture. Guards may be more or less vigilant, and also they may be bribed. So at least all the problems associated with converting labor power into useful labor must also be faced here. But usually there is more.

Power is not only an input but also an output. As we have seen, it depends for its production and maintenance on the enforcement of discipline, social distinctions, solidarity within specified groups, hierarchies,

and all the rest. An institution organized within and through power relations will not be the same as an institution functioning as if it were a single individual in an environment consisting solely of market forces. The institutional structure ideal for the maintenance of power relations cannot be expected to be ideal for production of other goods or services. Thus in real societies, we would expect to find either attempts to segregate institutions into those oriented towards maintaining the power structure and those producing goods and services, or to find institutions designed to fulfill both functions and thus ideal for neither. This is reminiscent of Marx's observation that

"It can even be laid down as a general rule that the less authority presides over the division of labor inside society, the more the division of labor develops inside the workshop, and the more it is subjected to the authority of a single person. Thus authority in the workshop and authority in society, in relation to the division of labor, are in *inverse ratio* to each other."⁶

For Marx, no conflict between authority and production is apparent, since he saw authority as arising largely from the exigencies of production itself. The above quote follows a brief discussion in which patriarchal, caste, feudal and corporative systems are contrasted with the modern market system. We would add that in the former cases, if they became at all complex one would expect them to encounter severe principal - agent problems; in the later case, the division of labor within the "workshop" would reflect concerns about power as well as efficient production, and the resulting conflict over objectives might lead to mediocrity.

⁶Karl Marx, The Poverty of Philosophy, International Publishers, 1963; p. 136.

At this point, some general considerations can be mentioned. One pertains to competition. Competition as the prime force in a free market economy has often been touted as the muscle that moves the "invisible hand" that serves the interests of all in society. Restriction or regulation of the market, on the other hand, is supposed to foul the works and usually defeat its own purpose. Let us bypass well-known objections based on possible imperfections of the market. For us it is notable that this argument assumes that only *market* forces exist, or at least only they are important. The purpose of all the preceding, however, has been to show that this is not realistic nor ever likely to become so. By its very nature, competition leads to the testing and overstepping of limits: one of the goals of every real-life game is to be the one who determines its rules. It is naïve to imagine that competitors are naturally in a position to limit themselves to finding more efficient ways to provide products consumers want, and can abstain from resorting to predatory tactics, whether in the domain of the consumer market, the financial market, the law, or crime. As soon as competition jumps the rails laid for it by economic theory, however, the good results it should lead to can no longer be expected. Instead we approach a Hobbesian world.

We also understand why various attempts to plan or regulate economic activity lead to disappointing results. "Men make their own history, but they do not make it just as they please."⁷ The essence of Marx's contribution to social analysis is the insistence on a scientific approach, which for him was largely embodied in a recognition of the pervasiveness of

⁷Karl Marx, The 18th Brumaire of Louis Bonaparte, International Publishers, 1963; p. 15.

economic forces. Institutions, laws, religions, and other social phenomena were all in some way formed and constrained by these economic forces. A historical and materialist approach involved a study of economic forces in an attempt to show what other changes their development might lead to.

The effort here has been to add that political forces need to be viewed in the same way Marx viewed economic forces. Of course the two are often tightly intertwined, but previous discussion should have demonstrated that they can be recognized and discussed as separate moments influencing society. Power relations are real, and if they do not correspond to what we may like to see, it is still better to see them and act with regard to them than to pretend that they are otherwise. The failure of many efforts to plan and regulate economic activity probably has much less to do with the problem of limited knowledge and limited capacities for coordination that the Austrian school cites --for few real efforts have been as ambitious as the hypothetical ones they criticise, and there are numerous social devices for simplification-- than with a failure to recognize actual power relations. Laws may be written, even approved by majority vote, and yet be no more influential than incantations calling for rain.

Who has to recognize actual power relations? It might seem at first to suffice to have a few experts around to offer their input into any proposed regulation. But here we encounter as a problem a characteristic of power discussed in the previous chapter -- its connection to knowledge. An expert's assessment of a structure may be shrewd enough, and yet rejected because it fails to find agreement elsewhere. Parties affected by a proposed policy are likely to hold to systematically contrasting views regarding power

relations, and since the extent to which any view prevails contributes to its correctness, it is often hard to resolve such differences by making references to an "objective" reality. One might say that a Hobbesian situation prevails to the extent that perceptions of power relations and the power structure differ: for if everyone were to agree on what the power structure is, then it would be greatly reinforced; and surely most parties would find it to their benefit to negotiate a settlement rather than to continue a conflict when all share the same expectation regarding the conflict's outcome.

The answer to our question is therefore that recognition of power relations needs to be quite widespread. Experts can help achieve this recognition in two ways: by calling attention to power in general and familiarizing others with properties of power structures, and by recalling the record of events to help others form a picture of the current situation.

It is possible that the market versus planning debate has been framed too narrowly. By saying that we do not mean to follow the path of those anti-Manicheans who have proposed models of market socialism, although it seems reasonable that planning and market be somehow combined. We mean that the question of social peace is involved. Without a sufficient level of peace, neither a "planned" nor a "market" economy can fulfill the hopes of its proponents. With a sufficient level of peace, either might perform satisfactorily -- though it must be noted that the form might itself be related to the level of peace. In particular, a planned economy might be more demanding of consensus (or acquiescence) than a market economy; and the more agreement required to maintain peace, the less secure the peace will be.

Because of the Hobbesian conflict associated with competition, a free market by itself endangers peace. Because of ever-present power struggles, social regulation by itself will bog down, for power relations are at stake in the formulation of every rule, giving rise more to fear and illusion, rebellion or circumvention than to useful policy. In order for either planning or market to work, alone or in combination, while maintaining the peace, a framework is needed. This framework cannot be freely invented. It must instead be the result of a process whereby sufficient sharing of perceptions of power relations is achieved, so that all major parties hope to enjoy Pareto improvements from the establishment of such a framework.

What is the character of such a framework? It cannot be an explicitly negotiated settlement, although some settlements might contribute to it. An explicit overall settlement would have to be too detailed and could never be agreed on. Nor can it result from merely eliminating old rules, customs and restrictions. Instead it must consist of continual sharing among major social groups of perceptions of power relations, and of a record developing over time of actions that show commitment to stability. The "New Deal", particularly as it extended from the United States to Japan and Europe in its post-war form is an example of such a framework. Within such a framework, a moderately wide array of economic arrangements were all quite successful that now face more meager prospects.

As we have seen with the New Deal, such frameworks cannot be expected to last forever. Changes affect perceptions, but not in the same way for all participants. Eventually, the framework breaks down, and strife

ensues. It then requires a great deal of effort to build a new framework; and indeed, attempts to do so may succeed only after prolonged experience of strife has informed and exhausted the major social groups.

As far as economic theory and policy is concerned, cycles of expansion and recession may reflect the construction and destruction of such frameworks as much as any purely economic phenomenon. It might be noted in this regard that the "post-war boom" in Europe did not begin right after the war ended, but only after the political orientation of the major countries was assured. The relevance of "standard" Keynesian theory and the usefulness of Keynesian policy instruments is another example of the importance of the framework. For example, within the New Deal framework, the assumption of downwardly sticky wages reflected a general acknowledgement of the power of organized labor which is no longer so widely shared.

Indeed, the current disillusion with Keynesian macroeconomics does not reflect unanticipated problems -- in fact, many of the current objections to Keynesianism hardly differ from those raised at its inception. If Keynesianism appeared and faded a bit like a dream, it is because of its linkage to a framework that had a similar fate. While the effort to rescue and develop macroeconomic theory through research into microfoundations continues, it will always run into questions of power and social structure if done properly. As for progress in the field of policy, that depends on a reconstruction of the *macrofoundations*.

REFERENCES

- Altvater, Elmar, "Markt oder Plan -- eine falsche Alternative," Die Zukunft der DDR-Wirtschaft, Rohwolt Taschenbuch Verlag, 1990, pp. 28-47.
- Amin, Samir, Delinking, Michael Wolfers, trans., Zed Books, Ltd., 1990.
- Banfield, Edward, The Moral Basis of a Backward Society, Free Press, New York, 1958.
- Barnes, Barry, The Nature of Power, University of Illinois Press, 1988.
- Bartlett, Randall, Economics and Power, Cambridge University Press, 1989.
- Berle, Adolf and Gardiner Means, The Modern Corporation and Private Property [1932], Harcourt, Brace & World, Inc., New York, 1968.
- Bernstein, Eduard, Evolutionary Socialism [1899], Edith Harvey, trans., Schocken Books, 1961.
- Böhm-Bawerk, Eugen von (1914), "Macht oder ökonomisches Gesetz?" Zeitschrift für Volkswirtschaft, Sozialpolitik und Verwaltung, Vol. 23, pp. 205-271.
- Boserup, Ester, Conditions of Agricultural Growth: The Economics of Agrarian Change Under Population Pressure, Aldine, Chicago, 1965.
- _____, Woman's Role in Economic Development, St. Martin's Press, New York, 1970.
- Bowles, Samuel and Herbert Gintis (1983), "The power of capital: on the inadequacy of the conception of the capitalist economy as "private"," The Philosophical Forum, Vol. 14, Nos. 3&4, pp. 225-245.
- Bowles, Samuel, David Gordon and Thomas Weisskopf (1986), "Power and profits: the social structure of accumulation and the profitability of the postwar U.S. economy," Review of Radical Political Economics, Vol. 18, Nos. 1&2, pp.132-167.
- _____, (1989), "Business ascendancy and economic impasse: a structural retrospective on conservative economics, 1979-87," Journal of Economic Perspectives (1989), Vol. 3, No.1, pp. 107-134.

Chang, Chung-li, The Chinese Gentry: Studies on Their Role in Nineteenth-Century Chinese Society, University of Washington Press, 1955.

Chayanov, Alexander V., The Theory of the Peasant Economy, Richard Irwin, Inc., Homewood, Ill., 1966.

Coase, Ronald (1937), "The nature of the firm," Economica, Vol. 4, pp. 386-405.

Coleman, James S., Foundations of Social Theory, Belknap Press, 1990.

Colletti, Lucio, From Rousseau to Lenin, Monthly Review Press, New York, 1972.

Cox, Robert, Production, Power, and World Order, Columbia University Press, New York, 1987.

Dahrendorf, Ralf, The Modern Social Conflict, University of California Press, 1988.

Dugger, William, "Power: an institutional framework of analysis," Journal of Economic Issues, December 1980, Vol. 14, pp. 897-907.

Dühring, Eugen, Cursus der National- und Sozialökonomie einschliesslich der Hauptpunkte der Finanzpolitik, R. Reisland, Leipzig, 1876.

Elster, Jon, The Cement of Society, Cambridge University Press, 1989.

Engels, Frederick, Herr Eugen Dühring's Revolution in Science [1894], International Publishers, New York, 1966.

_____. The Origin of the Family, Private Property and the State [1891], Progress Publishers, Moscow, 1985.

Fanon, Frantz, The Wretched of the Earth, Grove Press, 1963.

Foucault, Michel, Power / Knowledge, Colin Gordon, ed., Pantheon Books, New York, 1980.

Freire, Paulo, Pedagogy of the Oppressed, Myra Bergman Ramos, trans., Continuum Press, 1989.

Friedman, Milton, Essays in Positive Economics, University of Chicago Press, 1953.

_____, Capitalism and Freedom, University of Chicago Press, 1962.

Galbraith, John Kenneth, The New Industrial State, Houghton Mifflin Co., Boston, 1971.

Giddens, Anthony, A Contemporary Critique of Historical Materialism, Vol. 1, Power, Property and the State, University of California Press, 1981.

_____, A Contemporary Critique of Historical Materialism, Vol. 2, The Nation-State and Violence, University of California Press, 1987.

Gilpin, Robert, The Political Economy of International Relations, Princeton University Press, 1987.

Gramsci, Antonio, Selections from the Prison Notebooks, Quintin Hoare and Geoffrey Nowell Smith, eds. and trans., International Publishers, New York, 1971.

Habermas, Jürgen, Zur Rekonstruktion des Historischen Materialismus, Suhrkamp Verlag, Frankfurt a. M., 1976.

_____, The Theory of Communicative Action, Vol. 2, Thomas McCarthy, trans., Beacon Press, Boston, 1987.

Hahnel, Robin and Michael Albert, Quiet Revolution in Welfare Economics, Princeton University Press, 1990.

Herskovits, Melville, Economic Anthropology, W.W. Norton, New York, 1952.

Hilferding, Rudolf (1940), "Staatskapitalismus oder totalitäre Staatswirtschaft?" in Zwischen den Stühlen, Cora Stephan, ed., Verlag J.H.W. Dietz Nachf., 1982, pp. 290-296.

_____, (1940), "Das historische Problem," in Zwischen den Stühlen, Cora Stephan, ed., Verlag J.H.W. Dietz Nachf., 1982, pp. 298-328.

Hirsch, Fred, Social Limits to Growth, Routledge & Kegan Paul, London, 1977.

Hirschman, Albert O., The Passions and the Interests, Princeton University Press, 1977.

Hirshleifer, Jack, "The technology of conflict as an economic activity," American Economic Review, 81, No. 2, May 1991, pp. 130-134.

Hobbes, Thomas, Leviathan [1651], Michael Oakeshott, ed., Collier Books, 1962.

Jouvenel, Bertrand de, On Power [1945], Beacon Press, Boston, 1962.

Kalecki, Michal, Selected Essays on the Dynamics of the Capitalist Economy, Cambridge University Press, 1971.

Keynes, John Maynard, "The distinction between a co-operative economy and an entrepreneur economy," Collected Writings, Vol. 29, Donald Moggridge, ed., MacMillan and Cambridge University Press, 1979, pp. 76-87.

Knapp, G. F., Staatliche Theorie des Geldes [1899], Duncker und Humblot, 1923.

Keohane, Robert and Joseph Nye, Power and Interdependence, Little, Brown and Company, 1977.

Kuczynski, Marguerite and Ronald Meek, eds., Quesnay's Tableau Economique, MacMillan Press and Augustus Kelly, Publishers, 1972.

Kuran, Timur, "The East European revolution of 1989: is it surprising that we were surprised?" American Economic Review, May 1991, 81, No. 2, pp. 121-125.

Lindblom, Charles, Politics and Markets, Basic Books, Inc., 1977.

Locke, John, Two Treatises of Government [1690], J. M. Dent & Sons, 1924.

Marx, Karl, Capital, Vol. I [1867], Ben Fowkes, trans., Vintage Books, 1977.

_____, The Poverty of Philosophy [1847, 1892], International Publishers, 1963.

_____, The 18th Brumaire of Louis Bonaparte [1852, 1869], International Publishers, 1963.

Marx, Karl and Frederick Engels, Manifesto of the Communist Party [1848, 1888], Progress Publishers, Moscow, 1977.

- Mauss, Marcel, The Gift, Ian Cunnison, trans., Free Press, Glencoe, Ill., 1954.
- Millar, James, The ABCs of Soviet Socialism, University of Illinois Press, 1981.
- Minsky, Hyman, Stabilizing an Unstable Economy, Yale University Press, 1986.
- Mizuchi, Ephraim H., Regulating Society, Free Press, New York, 1983.
- Mommsen, Wolfgang, Theories of Imperialism (P.S. Falla, trans.), Random House, New York, 1980.
- Montesquieu, Charles de Secondat, Baron de, The Spirit of the Laws [1748], (trans. by Thomas Nugent revised by J.V. Prichard), D. Appleton and Company, New York, 1900.
- Oppenheimer, Franz, Der Staat, in monograph collection Die Gesellschaft, Vol. 14 & 15, Martin Buber, ed., Rütten & Loening, Frankfurt a. M., 1912.
- Polanyi, Karl, "The economy as instituted process," Trade and Market in the Early Empires, K. Polanyi et al, eds., Free Press, 1957.
- Riese, Hajo, "Geldverfassung und Formen des Sozialismus," Die Zukunft der DDR-Wirtschaft, Rohwolt Taschenbuch Verlag, 1990, pp. 106-123.
- Robinson, Joan (1977), "The meaning of capital," Collected Economic Papers, Vol. 5, MIT Press, Cambridge, Mass., 1980.
- Roemer, John, A General Theory of Exploitation and Class, Harvard University Press, 1982.
- Rousseau, Jean-Jacques, The Social Contract and Discourse on the Origin of Inequality, (ed. and anonymous trans. revised by Lester G. Crocker), Washington Square Press, New York, 1967.
- Sahlins, Marshall, Stone Age Economics, Aldine de Gruyter, New York, 1972.
- Sartre, Jean-Paul, Critique of Dialectical Reason [1960], Alan Sheridan-Smith, trans., Jonathan Rée, ed, Verso Press, 1982.
- Schelling, Thomas C., Choice and Consequence, Harvard University Press, 1984.

Schumpeter, Joseph, Zur Soziologie der Imperialismen. Verlag J. C. B. Mohr (Paul Siebeck), Tübingen, 1919.

Sraffa, Piero, Production of Commodities by Means of Commodities, Cambridge University Press, 1963.

Sorel, George, Reflections on Violence [1908], T. E. Hulme, trans., Collier Books, 1970.

Tönnies, Ferdinand, Fundamental Concepts of Sociology (Gemeinschaft und Gesellschaft [1887]) (Charles Loomis, trans.), American Book Company, 1940.

Usher, Dan, "The Dynastic Cycle and the Stationary State," American Economic Review, December 1989, 79, pp. 1031-1044.

Weber, Max, Economy and Society, Guenther Roth and Claus Wittich, eds., University of California Press, 1978.

_____, The Protestant Ethic and the Spirit of Capitalism [1905], Talcott Parsons, trans., Unwin Paperbacks, 1987.

_____, The Agrarian Sociology of Ancient Civilizations, [1924], R. I. Frank, trans., Verso Press, 1988.

Williamson, Oliver (1983), "Organizational Form, Residual Claimants, and Corporate Control," Journal of Law and Economics, Vol. 26, pp. 351-366.

Wittfogel, Karl A., Oriental Despotism: A Comparative Study of Total Power, Yale University Press, 1957.

Veblen, Thorstein, The Theory of the Leisure Class [1899], Viking Press, 1967.

Zukin, Sharon and Paul DiMaggio, eds., Structures of Capital, Cambridge University Press, 1990.

VITA

Michael Joram Brün was born in Munich, Germany on September 27, 1956, and came to the United States on August 7, 1963. He entered the University of Illinois at Urbana-Champaign as an undergraduate in August 1973, majored in Honors Biology, and graduated in May 1977. The following year he remained out of school while organizing forums and activities around sociobiology and other controversial topics in the area of science and politics. He entered the University of California at Riverside as a graduate student in Biology in September 1978, and graduated with an M.A. in June 1980. He then worked from October 1980 to October 1981 as a laboratory assistant at the Research and Education Institute at the Harbor General Hospital in Torrance, California under a grant from the National Heart Association to Dr. Srikantaiah. He then returned to the University of Illinois at Urbana-Champaign in June 1982 to begin graduate studies in economics, specializing in the fields of comparative systems, history of economic thought, and development.

Aside from a two-semester stint in 1983 as a research assistant for James Millar on topics in the economics of Soviet agriculture, he was a teaching assistant until summer 1989, teaching introductory economics (combined micro-macro) and first and second semester statistics. During the academic year 1987-88, he was a specially appointed member of the Student Organization Resource Fee board at the University of Illinois. He shared the responsibility for allocating student fees to organizations for campus activities. In the fall of 1989, he became a lecturer in economics at Illinois State University at Normal. Currently he remains in this position, and has taught comparative systems, the Soviet economy, managerial economics,

introduction to forecasting techniques, introductory macroeconomics, and the honors course in introductory microeconomics.

Michael Brün is a member of the American Economic Association and of the Union of Radical Political Economists. He is fluent in German and has a good reading knowledge of Russian and Spanish.