

Power, competition and the free trader *vulgaris*

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Competition is taken for granted by neoclassical economics: its cause is human nature and its functioning is the result of spontaneous interactions. As such it is contrasted with power, which is an unnatural restriction on human liberty. By contrast, Marx discusses competition as a coercive mechanism. Historically, competition develops with the development of market relations and what today appears as ‘human nature’ is part of this process. Thus it is within competition and not outside of it that Marx explains the coercive nature of capitalism. His critique shows that competition and power appear to be antithetical because market relations are based on individual freedom. However class relations are another essential aspect of capitalism. By neglecting these relations, neoclassical economists (including those of a ‘radical’ inspiration) implicitly espouse the ruling class’s viewpoint, which they simply translate into rigorous mathematical terms. In this sense they are the modern expression of what Marx called the ‘vulgar political economy’.

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Everything appears reversed in competition, and thus in the consciousness of its agents ... The vulgar economist does practically no more than translate the singular concepts of the capitalists, who are in the thrall of competition, into a seemingly more theoretical and generalised language, and attempt to substantiate the justice of those conceptions. (Marx, 1894, ch. 13)

1. Introduction

In neoclassical economics, perfect competition is defined as price-taking behaviour and as such is contrasted with market forms in which some agents have market power. The idea is that the higher the number of agents in a market, the more each of them is forced to accept the conditions accepted by their competitors. At the limit, when the number of market participants tends to infinity, their market power tends to zero.

Modern neoclassical economists have extended this conception by noting that, in perfectly competitive markets, agents not only have no market power but also have

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no power whatsoever. From the provocative ultraliberal position of [Armen Alchian and Harold Demsetz \(1972\)](#) to the radical-left contributions of [Samuel Bowles and Herbert Gintis \(1993\)](#), the economic debate has developed a notion of power as stemming from market imperfections. For example, Bowles and Gintis, who come from a Marxist tradition, see power relations as a consequence of non-clearing markets. In a non-clearing market, agents on the 'short side' (the side with few agents, who easily find a counterpart in exchange) have power over those on the 'long side' (the side with many agents, who have difficulty finding a counterpart in exchange) because they can credibly threaten them with an interruption of their market relationship. For example, in a labour market characterised by unemployment, an employer has power over his employees because he can easily substitute for them, but an employee would worsen his/her condition by losing his/her job. Thus the employer can exercise his power over the worker by demanding higher levels of effort at work.

Although radicals often declare their scientific indebtedness to Marxism, this conception of competition, monopoly and power is very different from that of Karl Marx. In Marx's conception there is no opposition between competition and monopoly or between competition and power. Competition is not conceived of as a market form but as a mechanism of social coordination that operates within all market forms, no matter the concentration of the market. Willy-nilly, even giant monopolists are exposed to the 'external coercive law of competition'. On the other hand, the existence of monopolistic markets is largely the result of processes of concentration and centralisation of capital set in motion precisely by the competitive mechanism. The juxtaposition competition/monopoly is thus meaningless for Marx and his analysis focuses rather on the processes and conditions through which competition tends to give rise to forms of monopoly.

The same is true for the juxtaposition competition/power because competition is itself a coercive mechanism that compels agents to behave in certain ways. Different from economists who follow methodological individualism, Marx does not see power as a merely interpersonal relation. His notion of power is social and depends on class relations, which is an essential entity in the capitalist ontology. Thus there is no need to introduce market imperfections to understand the nature of power relations in capitalism. The latter do not originate from the lack of competition but from the class structure of society. Therefore Marx accepts the assumption of unhampered competition, but unlike the liberal (and neoliberal) conceptions, he does not define such a world as the 'Eden of the innate rights of man' ([Marx, 1867](#), ch. 6), which is free from power relations and ruled by individual freedom and equality but shows that it is rather a world of social coercion and exploitation.

In my view these are the main differences between Marx and neoclassical economists in their analysis of the *consequences* of competition. However the very originality of Marx is to be found in his analysis of the *origins* of competition, which is an issue that is not even dealt with by neoclassical economists. For methodological reasons, the latter take competition for granted as a consequence of human nature. Thus competition is seen to be a natural phenomenon that deserves no scientific explanation. By contrast, power relations appear to be unnatural and the scientific problem for neoclassical economists is to explain how they supersede the competitive mechanism under certain circumstances.

In this paper I criticise the neoclassical conception of power and competition from a Marxist perspective. I argue that neoclassical economics misses the crucial link between these two categories by falsely assuming that one is the negation of the other.

This conception is a consequence of (explicit) methodological choices and (mostly implicit) ontological assumptions. By developing an explicit ontological reasoning on the essential categories of the capitalist mode of production, Marx provides a 2-fold contribution: first, he shows that competition is all but natural, that it historically develops with the development of market relations and that it assumes a coercive nature in capitalism with asymmetric effects on social classes; second, he explains why competition and power appear to be antithetical in the sphere of circulation, which is a sphere in which class relations are almost invisible.

My thesis is that neoclassical economists (including those of a ‘radical’ inspiration) implicitly espouse the ruling class’s viewpoint by focusing only on market exchange even in the analysis of production. Their mathematical models serve only to translate this viewpoint into a seemingly neutral and rigorous language by leaving the asymmetry between capitalists and workers in the sphere of production in the shadow. In this sense the neoclassical approach to power and competition is only a modern expression of what Marx called ‘vulgar political economy’. I proceed as follows.

In the next section I outline Marx’s analysis of competition as a coercive mechanism. I begin by selecting the works in which Marx discusses competition in this perspective. Then I discuss Marx’s method and the ontological status of categories such as the commodity, private property, the market and social classes in his analysis of the rise and evolution of the capitalist mode of production. This historical perspective on capitalism allows him to investigate the origins of competition and its evolution as a coercive mechanism that operates through class relations. Finally I discuss how the competitive mechanism works and the economic tendencies it produces.

In the following section I critically discuss the neoclassical conception of competition and its related literature on power. I start by selecting some influential contributions that span from the ‘contractualist’ approach of Alchian and Demsetz, which denies the existence of real power relations in capitalism, to the ‘post-Walrasian’ framework of Bowles and Gintis, which is based on the assumption that power relations are ubiquitous. Although the debate is characterised by harsh polemical tones and explicit references to Marx, I suggest that the common acceptance of the neoclassical methodology (and of its implicit ontology) engenders a common conception of power and competition, which in many respects is the opposite of the Marxian one.

In the last section I contrast these conceptions and defend the superiority of Marxism. I argue that Marx’s method explains the coexistence of individual freedom and social coercion in capitalism as two sides of the same coin. By contrast, neoclassical economics allows no room for social coercion and considers power relations only for their manifestations at the interpersonal level. From a Marxist perspective, neoclassical economics sees only one side of the coin: it detects forms of power only when they manifest themselves as formal asymmetries in specific interpersonal relations. The other side of the coin is formed by social relations and simply does not exist in this ontology. Thus, competition loses its contradictory nature as a mechanism based on individual freedom and engendering forms of social coercion and it appears unilaterally as the expression of individual liberty. Symmetrically, power relations appear as a negation of competition and a suppression of individual liberty.

Scientifically, the dichotomy power–competition is largely the consequence of methodological individualism. Historically, however, such a methodology is itself the product of real processes of the individualisation and atomisation of society, which are processes set in motion precisely by competition. My conclusion is that Marx’s critique

not only provides a broader and more convincing explanation of the coercive nature of capitalist relations but also explains why neoclassical economists see the problem this way.

2. Marx's analysis of the coercive law of competition

2.1 *Competition in Marx's work*

The first problem facing the attempt to develop a Marxist conception of competition is that, in the *Grundrisse*, Marx (1857) explains that he intends to treat such a topic as a separate issue after having explained 'capital in general'. However the phrase 'capital in general' does not appear in his main work, *Capital* (Marx, 1867, 1885, 1894). This has raised a controversy. Some authors maintain that the three volumes of *Capital* deal with 'capital in general' and contain only the aspects of competition that are strictly necessary for such a purpose. According to this interpretation, there is no hope of finding a systematic analysis of competition in Marx's own work because he did not have the time to finish volumes 2 and 3 of *Capital*. By contrast, others argue that Marx finally abandoned the notion of 'capital in general' and, when he organised *Capital* in three volumes, he incorporated his analysis of competition mainly in the third volume and partly in the first one.¹

In *Capital*, the word 'competition' appears for the first time in chapter 10 (titled 'The Working Day') of volume 1, in which Marx explains how competition regulates such a crucial aspect of the conflict between capital and labour in the production of surplus value. In chapter 12, however, he soon clarifies that he does not intend to consider the way in which the laws of capitalist production 'assert themselves as coercive laws of competition and are brought home to the mind and consciousness of the individual capitalist as the directing motives of his operations' and reaffirms that 'a scientific analysis of competition is not possible, before we have a conception of the inner nature of capital'.

It is only in the third volume of *Capital*, after having confined his analysis of competition to its role in the process by which capital as a whole subsumes human activities, that Marx discusses the relationships between many individual capitals and deals more systematically with the effects of competition (Rosdolsky, 1977). Such an analysis allows him to explain some of the main tendencies of capitalism: the rise of the organic composition of capital and the corresponding increase in productivity, the expansion of capital, its concentration and centralisation, the fall of the rate of profit and the emergence of crises.

As far as the origins of competition are concerned, perhaps the most explicit discussion is developed by Frederick Engels (1844) in his *Outlines of a Critique of Political Economy*, where he puts it in relation to the development of private property and market relations. The same issue is dealt with by Marx (1844) in the *Economic and Philosophic Manuscripts of 1844*, in which he criticises bourgeois economists for taking for granted private property and all the categories that presuppose it (including competition) and explains these concepts as consequences of estranged, alienated labour. Finally, in *The Poverty of Philosophy*, Marx (1847B) develops his most explicit and polemical arguments against the conception of competition of bourgeois economists by taking inspiration from the work of Pierre-Joseph Proudhon.

¹ Arthur (2010)

2.2 *The commodity: private property, the market and class relations*

Marx's *Capital* begins with the commodity. The commodity contains all the distinguishing social relations of the capitalist mode of production. Things are not in their nature commodities. They become commodities only under particular historical conditions, with particular social relations. The category of the commodity encompasses the categories of private property and the market. Private property is a social relation that defines a series of duties and rights in society and their distribution among agents. Through the market, commodities receive a social appraisal (the price system) and are exchanged on this basis.

However private property and the market are not sufficient to characterise capitalism. The specificity of capitalism is that the process of commodification also includes labour power. In capitalism, property is characterised not only by its legal form as private property but also by its unequal distribution between the two classes of capitalists and wage workers. Thus, property relations are also class relations in capitalism (Campbell, 1993). Marx discusses the conditions under which labour power becomes a commodity at length. He explains that for the wage–labour relation to arise, the worker must be free in a ‘double sense, that as a free man he can dispose of his labour-power as his own commodity and that on the other hand he has no other commodity for sale’ (Marx, 1867, ch. 2). Marx then discusses the historical circumstances that produced ‘on the one side owners of money or commodities, and on the other men possessing nothing but their own labour-power’ (Marx, 1867, ch. 6) and the mechanisms that reproduce these classes of people.²

Without mechanisms capable of reproducing this asymmetry, there would be no stable labour market and wage labour might not be the dominant form of production. This entails a form of economic compulsion that is mostly indirect and brings a class of persons to work (voluntarily) for another class of persons. This form of compulsion is not the consequence of deliberate choices of particularly powerful individuals, but rather the effect of the impersonal mechanisms that govern market prices and prevent workers from becoming independent from wage labour.

In Marx's work, although the ‘history of mankind is a history of class struggle’ (Marx and Engels, 1848), there is no systematic discussion of social classes.³ The analysis of the capitalist mode of production in its pure form, which is developed in *Capital*, is based on a class structure with two main classes: capitalists and workers. This is the essential feature of the class structure of capitalism: to reproduce itself, capitalism must constantly reproduce a class of people in need of selling their labour power and another class of people capable of buying it. In the study of concrete social formations, however, Marx does not hesitate to consider a greater number of classes that are

² Marx dedicates all of part 8 of *Capital* vol. 1 to the study of the process of ‘primitive accumulation’ and the divorce of the worker from his/her means of production and harshly criticises ‘vulgar economists’ for their abstract speculations on the origin of capitalism. Unfortunately the same speculative method, which is based on hypothetical spontaneous interactions between isolated individuals, has today become the distinguishing feature of new institutionalism and other approaches based on methodological individualism. Within the radical tradition, Putterman (1995) follows the same idea that hierarchical relations within the capitalist firm are the result of voluntary decisions. Similarly, in his new Keynesian economics, Stiglitz (1975) contends that these relations were voluntarily selected by workers for efficiency reasons. A Marxist reply to these positions is offered by Braverman (1974), Marglin (1974, 1975) and Edwards (1979).

³ In *Capital* vol. 3 there is a draft chapter dedicated to the subject. However the chapter is incomplete and its purpose seems to be more to point out the problematic aspects of defining classes than to provide the blueprints for such a project.

characterised not only by their economic role but also by their political and ideological homogeneity (Marx, 1850, 1852; Engels, 1845; Marx and Engels, 1848).

This has prompted various interpretations of the theoretical status of classes in Marx's theory. According to an economic interpretation, in *Capital*, classes are defined solely in terms of the economic structure, by the relation of each individual to the means of production, but classes must be defined also in terms of political and ideological structures in the analysis of concrete social formations. However, this interpretation has been criticised for its unjustified separation of the economic structure, on the one hand, and political and ideological structures, on the other, as if the capitalist mode of production could effectively be defined in purely economic terms. Nicos Poulantzas (1973, ch. 2), in particular, argues that classes are the effect of the whole set of social structures that characterise the capitalist mode of production and not solely of the economic structure.⁴

Here we do not need to develop the complex relations between the economic, the political and the ideological structures of capitalism. The economic separation of the population into buyers and sellers of labour power is sufficient to determine an essential aspect of class relations. This is not to reduce social classes to an asymmetry in economic constraints, but is rather to recognise that such an asymmetry is not occasional but necessary in capitalism. Abstractly, private property and the market might exist without class divisions. However class monopoly of the means of production is not a historical accident. It is rather the necessary condition for the development of wage labour and for the functioning of capitalism.

2.3 *The origins of competition*

According to Marx and Engels the development of economic competition is a consequence of private property. In Engels's words:

We have seen that in the end everything comes down to competition, so long as private property exists ... because private property isolates everyone in his own crude solitariness, and because, nevertheless, everyone has the same interest as his neighbour, one landowner stands antagonistically confronted by another, one capitalist by another, one worker by another. In this discord of identical interests resulting precisely from this identity is consummated the immorality of mankind's condition hitherto; and this consummation is competition. (Engels, 1844)

In turn, competition is also the cause of the tendency for private property relations to expand both extensively (into new geographical areas) and intensively (into new spheres of social life). This means that capitalism is dynamic and self-expanding by its nature. Political intervention and institutional arrangements can govern and direct these processes, but what we today call globalisation and commodification are in fact intrinsic tendencies of capitalistic development.

Competition and private property are linked by a dialectical relation: private property puts one individual against another and unleashes rivalry behaviours; competition, with its economic incentives, contributes to develop and generalise property relations.

⁴ Cf. also Poulantzas (1986). Colletti (1972) criticises Kautsky and Plekhanov's orthodoxy and Bernstein's revisionism for their separation of the economic structure from the other social structures of capitalism and argues that Marx's 'economic sphere' embraces the production of things as well as ideas. In developing Colletti's interpretation, Sayer (1987) maintains that the attempt to separate forces and relations of production, or base and superstructure, as if they referred to different bits of empirical reality, presupposes an atomistic ontology that is extraneous to Marx.

Here, however, Marx and Engels take two slightly different theoretical routes. Engels (1844) intends to show that all categories of political economy and the realities to which they correspond presuppose both competition and private property. In his critique, however, Engels (1884) explains competition as a consequence of private property but discusses the origins of the latter mainly historically. It is Marx who explains the origins of private property logically (Clarke, 1991). Particularly in his early works, he focuses on the relations of private property to another social relation, namely alienated labour, which suggests a more articulated relationship between private property and competition. As he explains, for labour to be appropriated in the form of property it must first take the form of alienated labour. In this sense, ‘though private property appears to be the reason, the cause of alienated labour, it is rather its consequence ... Later, however, this relationship becomes reciprocal’ (Marx, 1844, First Manuscript, ch. titled ‘Estranged Labour’). To put it differently, Marx arrives at his social conception of competition via its relations with alienated labour; Engels focuses instead on the necessarily asymmetrical distribution of private property between social classes. However commodification of labour power is for both of them the theoretical and historical reason for the class dimension of competition in capitalism. Thus let us consider how competition regulates the reproduction of class relations.

2.4 Competition and class struggle

As already mentioned, Marx’s discussion of competition in *Capital* begins with one of the central conflicts between capital and labour: the length of the working day. Before chapter 10, Marx has supposed that ‘labour power is bought and sold at its value’, which, ‘like that of all other commodities, is determined by the working-time necessary to its production’ (Marx, 1867, ch. 6). The value of labour power is socially determined and changes historically with the evolution of the set of commodities needed to reproduce the worker and the labour time necessary to produce it. Although such a value is in fact the result of moral principles, cultural hegemonies, the state of civilisation and class struggle, in a specified geographical and historical context, it can be taken as given.

Given the value of labour power, the length of the working day is a crucial factor in determining the amount of surplus value appropriated by the capitalist. Marx explains that capitalists and workers have opposite interests, but their struggle is internal to the law of exchange:

The capitalist maintains his rights as a purchaser when he tries to make the working-day as long as possible ... and the labourer maintains his right as seller when he wishes to reduce the working-day to one of definite normal duration. There is here, therefore, an antinomy, right against right, both equally bearing the seal of the law of exchanges. Between equal rights force decides. Hence is it that in the history of capitalist production, the determination of what is a working-day, presents itself as the result of a struggle, a struggle between collective capital, i.e., the class of capitalists, and collective labour, i.e., the working-class. (Marx, 1867, ch. 10)

As Marx puts it, the result of the conflict between capitalists and workers is a matter of force. At first sight this has little to do with competition. Soon after, however, Marx explains that the force of each class is dialectically linked to competition within each class.

First consider the struggle *between* classes. In this struggle, as in any other, the stronger generally wins. It is not difficult to understand that workers and capitalists

do not have the same strength because the former must work to live and the latter can live on their capital. This asymmetry between classes influences the internal relations *within* each class: competition tends to be stronger within the weaker class, i.e. generally on the workers' side. In turn, competition within classes influences the strength of each class in its struggle with the other class. As [Engels \(1845, ch. 3\)](#) writes, 'competition of the workers among themselves is ... the sharpest weapon against the proletariat in the hands of the bourgeoisie'.

2.5 *The tendencies caused by competition*

Within pre-capitalist societies, a full development of competition is impeded by a system of norms that delimits private property and free contracting and excludes labour power from the sphere of market relations. Only with the conquest of individual freedoms and the rise of the capitalist mode of production can competition develop fully. With the generalisation of property relations and the commodification of labour power, competition becomes the main mechanism regulating the reproduction of the economy, the 'essential locomotive force of the bourgeois economy' as Marx calls it in the *Grundrisse*.

Within the working class, competition imposes the need to cheapen labour power and maximise the extraction of living labour as conditions for being hired. Within the capitalist class it forces individual capitalists to extract as much labour as possible from the labour power of workers:

Après moi le déluge! is the watchword of every capitalist and of every capitalist nation. Hence Capital is reckless of the health or length of life of the labourer, unless under compulsion from society. To the outcry as to the physical and mental degradation, the premature death, the torture of over-work, it answers: Ought these to trouble us since they increase our profits? But looking at things as a whole, all this does not, indeed, depend on the good or ill will of the individual capitalist. Free competition brings out the inherent laws of capitalist production, in the shape of external coercive laws having power over every individual capitalist. ([Marx, 1867, ch. 10](#))

It is not a question of 'good or ill will' but the necessary condition for remaining in business. In the attempt to increase his own profit, each capitalist is pushed to innovate, introduce more advanced technologies and exploit better increasing returns to scale. Risk attitude, predictive ability and other subjective considerations are decisive factors that influence the strategies of individual capitalists. However the imperative is the same for all of them: 'Accumulate, accumulate! That is Moses and the prophets!' ([Marx, 1867, ch. 24](#)). Above all, once a capitalist introduces an innovation there is no real choice for competitors: either they follow or they go out of the market:

The development of capitalist production makes it constantly necessary to keep increasing the amount of the capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation. ([Marx, 1867, ch. 24](#))

Thus capital tends to concentrate not so much as a result of subjective choices by capitalists but as a consequence of the coercive law of competition, which imposes each individual capital to grow so as to not die. Capital concentration is further reinforced by the tendency towards mergers and takeovers that proceed with capitalist accumulation. In analysing this process, [Marx \(1867, ch. 25\)](#) notes the active role played by the

credit system and the acceleration prompted by crisis. The effect of these processes of concentration and centralisation is that a decreasing number of capitalists control an increasing amount of capital. Thus the competitive process is characterised by a tendency towards market power and monopoly.

However these tendencies set in motion by competition might be a rational solution only for individual capitalists, not for capitalism as a whole. Although individual capitalists might see their innovating decision, cartels and mergers rewarded by higher profits, the rise in the organic composition of capital that accompanies these processes reduces the average rate of profit prevailing in the economy. Thus the same profit motive behind the success of innovating firms becomes the cause of systemic crisis. Individual rationality and systemic irrationality are two aspects of the same process.

As Marx shows in the third volume of *Capital*, competition between capitalists tends to increase constant capital, both in absolute terms and in relation to variable capital. Thus the valorisation of constant capital by living labour tends to become more difficult. This is perhaps the most debated consequence of competition. According to Marx, in the same way that competition stimulates growth and capital expansion, it also creates a tendency to stagnation and crisis.

Besides these objective tendencies, competition tends to impose its logic at a subjective level as well. Within each class, competition puts one individual against another and compels all of them to strive for survival. Of course survival within each class is not the same thing: ‘in those cases where worker and capitalist equally suffer, the worker suffers in his very existence, the capitalist in the profit on his dead mammon’ (Marx, 1844, first manuscript, ch. titled ‘Wage of Labour’). However the general result is the individualisation and atomisation of social relations within each class and the appearance of competition as a universal mode of interaction within the whole society.

3. Competition and power in neoclassical economics

3.1 Competition in neoclassical economics

If classical economists evaded a discussion of competition by assuming private property without explaining it, neoclassical economists assume that competition is the natural form of market relations but do not examine where the latter come from. The most explicit author in this sense is most likely the Nobel Prize winner Oliver Williamson. In his market/hierarchies framework, he assumes that ‘in the beginning there were markets’ (Williamson, 1975, p. 20). Not of course real markets, but neoclassical markets with atomistic agents and perfect competition. Starting from such an abstract Walrasian world, he then explains the firm, the state and all forms of hierarchies as solutions to market failures.

Within modern neoclassical economics, the same conception is developed by authors from various economic schools and political convictions, which are sometimes presented as heterodox or even radical but share the same method exemplified so explicitly by Williamson. These schools include the contractual approach (Alchian and Demsetz, 1972; Jensen and Meckling, 1976; Cheung, 1983, 1987, 1992), transaction costs economics (Coase, 1937; Williamson, 1975, 1985, 1995, 2003, 2005; Simon, 1951, 1991), the property rights school (Grossman and Hart, 1986; Hart, 1987, 1995; Moore, 1992; Hart and Moore, 1988, 1990, 2005, 2007, 2008) and those parts of

radical political economics that follow methodological individualism even if only as a theoretical challenge (Bowles and Gintis, 1988, 1990, 1993, 1994, 2012; Putterman, 1993, 1995; Screpanti, 2001; Bowles *et al.*, 2004).⁵

If I assemble theories that are often considered to compete with one another, it is because their individualist methodology presupposes the same economic ontology according to which society is nothing more than a set of isolated individuals, who are assumed to be independent of one another and of the system of which they are a part. Even when these theories focus on the capitalist–worker relationship, these two figures are not *bona fide* social entities. They are simply individuals. Therefore their asymmetry is not sought in the capital–labour relation (of which they are an expression), but is explained as a consequence of their innate individual qualities.

However asymmetric individual qualities are not sufficient to give rise to direct power relations in a context of complete and perfect markets. Thus all these theories introduce some sort of imperfection in the Walrasian model. This method is so widespread that Joseph Stiglitz (1993) defines post-Walrasian economics as a broad theoretical project based on methodological individualism and imperfections, which includes Bowles and Gintis’s post-Walrasian framework—which Stiglitz calls neo-Marxian economics—and other pieces of the radical school, the new institutionalist approach and his own new Keynesian economics.⁶

3.2 *Isolated individuals, perfect competition and imperfections*

The methodological choice to start with isolated individuals and perfect competition contains a magnification of the market right from the outset. Capitalist institutions exist only to the extent that they are more efficient than the market, under certain conditions.

According to this conception, if real capitalism is not similar to Walras’s fiction but is a system where various institutions coexist, it is because competition alone is not sufficient to guarantee Pareto efficiency in real markets. Thus to explain the firm, the state and the other institutions of capitalism, it is necessary to exit from the Walrasian context of perfect information, logical time, absence of radical uncertainty, etc., which is a context in which perfect competition is Pareto-efficient, and assume a problematic theoretical context in which markets are imperfect or incomplete. That is why all these approaches invoke asymmetric information, uncertainty, bounded rationality and some type of transaction cost. In one way or another, if non-market institutions exist in reality, for these authors, it must be because the market is inefficient in their model. Eliminate these sources of market failures and capitalism can work without

⁵ The radical approach of Bowles and Gintis to the study of capitalist production has been criticised for the narrow conception of power that it engenders, for the deep change in perspective with respect to Marx’s conception and for the implications on the scientific and political identity of the whole radical school by Baker and Weisbrot (1994), McIntyre and Hillard (1995) and Spencer (2000). Starting from the late 1990s, Bowles and Gintis have progressively abandoned this line of research based on ‘contested exchange’, distanced themselves from the radical school and redirected their scientific programme towards behavioural sciences. However their theoretical evolution is not a consequence of a process of methodological self-criticism, but is rather an attempt to exploit new mathematical tools within the neoclassical framework.

⁶ This process of inclusion of heterodox economics within the mainstream is part of a more general process of cultural hegemony of neoclassical economics within social sciences. Fine and Milonakis (2009) discuss the emergence of a sort of ‘economics imperialism’ based on methodological individualism, utility maximisation and market imperfections and the consequent desocialisation and dehistoricisation of political economy.

firms, states and the rest. Needless to say, the possibility that capitalism might not be efficient is not even contemplated.

The same method is used to explain power. Within Walrasian competition there is no room for power relations because everybody can leave his relationship with his counterpart at zero cost and easily find another counterpart. In the words of two leading exponents of radical political economics:

The absence of power in the Walrasian model is based on the presumption that supply equals demand in competitive equilibrium for, when markets clear, each agent's transaction is equivalent to his or her next best alternative. (Bowles and Gintis, 1994, p. 301)

According to the authors, the relative strength of two individuals who interact in the market depends on the difference between their current relationship and their next best alternative. If a capitalist pays a wage that is higher than the perfectly competitive one, then he holds the worker in check and has power over him.⁷ However, soon they notice that this cannot occur in the reign of Walrasian competition. Therefore, they conclude, power and Walrasian competition are incompatible: where there is one, there is not the other.

3.3 The separate reigns of freedom and coercion

Perfect competition presupposes full rationality, perfect information and the absence of radical uncertainty and historical time. Therefore, according to this conception, power relations can exist only in empirical contexts characterised by some imperfection. At an ontological level, reality is divided into two distinct closed systems: one without any imperfection, in which interpersonal relationships are governed by perfect competition; and another with imperfections, in which interpersonal relationships involve power.

This distinction might appear purely theoretical. However it is only when such a distinction exists in reality that it is meaningful to develop various and incompatible theories based on perfect and imperfect theoretical contexts: only in this case can the two sets of theories be simultaneously valid, each one in its subset of reality. If, on the contrary, the perfect theoretical context is a pure fiction with no empirical counterpart, then the whole set of theories built on it should be considered irrelevant in realist terms.

Thus the extent of non-market institutions and power relations in capitalism becomes a merely empirical question, which depends on the spread of imperfections in the real world. At one extreme we find authors such as Alchian and Demsetz who believe that the Walrasian context is the rule not only in the market but also within the firm. In their view, perfect competition is always at work, even outside proper markets because the market is not a specific institutional arrangement but a universal mode of coordination. The firm is itself a form of the market—one in which price is not continually rebargained, but the outcome is as if it were. They write as follows:

It is common to see the firm characterized by the power to settle issues by fiat, by authority, or by disciplinary action superior to that available in the conventional market. This is delusion. ...

⁷ The authors distinguish between 'perfect competition' and 'perfect Walrasian competition': the former does not imply market clearing but the latter does (and coincides with what in the literature is generally called 'perfect competition'). Ultimately this is why they can claim that power relations exist even in the reign of perfect competition (with non-clearing markets).

[The employer] can fire or sue, just as I can fire my grocer by stopping purchases from him or sue him for delivering faulty products. (Alchian and Demsetz, 1972, p. 777)

At the other extreme, radical authors see imperfections as endemic and maintain that power relations are ubiquitous in the real world. For example, Ernesto Screpanti (2001, p. 145), after defining a complex context characterised by bounded rationality, imperfect information, uncertainty and various externalities, affirms that ‘Perfect and atomistic competition cannot exist in this world, even as a limit case—I mean the neoclassical competition that eliminates all inefficiencies and power hubris.’ However, these apparently opposite positions share the same conception according to which the pervasiveness of power relations in reality depends on the empirical diffusion of market imperfections.

In the middle there is the ample spectre of new institutionalist theories that see power relations and imperfections as distinguishing features of intrafirm relationships. For many authors who belong to the transaction costs and the property rights schools, the study of power relations is indeed part of the investigation of the nature of the firm. Theoretically they start from the consideration that the firm has no substantial role in the Walrasian model: its internal organisation is irrelevant and the authoritarian relationship between the capitalist and the worker is unexplained. As Paul Samuelson (1957, p. 894) puts it, ‘in a perfectly competitive model, it really doesn’t matter who hires whom; so let labor hire capital’. Out of the perfect world, however, intrafirm relations have an impact on the firm’s performance and markets do not necessarily clear. In these circumstances it does matter who hires whom. Thus imperfections are the key to understanding both the nature of capitalist institutions and the interpersonal relations occurring within them.

Within the property rights school, Oliver Hart and John Moore reply to Alchian and Demsetz’s provocation by following the same strategy of Bowles and Gintis: they start by mentioning Marx but develop their analyses within methodological individualism. In Hart’s (1995, p. 5) words: ‘given its concern with power, the approach proposed ... has something in common with Marxian theories of the capitalist–worker relationship’. Different from Marx, however, Hart and Moore interpret this relationship in purely interpersonal terms. Their conclusion is that the internal organisation of the firm depends on whether the worker or the capitalist is more indispensable to the existing assets according to the features of the (imperfect) theoretical context.

At least formally, this solves Samuelson’s and Alchian and Demsetz’s paradoxes, which were based on the assumption that the world is of a Walrasian kind and that the work relation is not qualitatively different from any other market relation. If the boss hires the worker and not vice versa, it is because this is more efficient outside of the Walrasian context. As Moore writes:

when a customer ‘fires’ Alchian and Demsetz’s grocer, the grocer (being a separate contractor) gets to keep the store; whereas if the grocer were an employee of the customer, the customer (the boss) could deny the grocer (the worker) access to the store, and could hire another grocer on the spot labour market. (Moore, 1992, p. 497)

In a world without imperfections, Samuelson is free to assume who hires whom and Alchian and Demsetz can assume that the competitive mechanism is always at work. However Hart and Moore do not want to *assume* but to *explain* why one hires the

other. The problem is that, in their explanation, they do not find anything better than to *assume* an imperfect world in which it is efficient to do so.⁸

3.4 *The terms of the debate*

This implicit ontology, according to which economic reality is split into two empirical domains—one with power, the other without it—explains why theoretical investigation of power relations starts from the firm, which is a domain in which hierarchy and authority are so evident as to be considered *the phenomena to explain* (a problem raised by Ronald Coase in his 1937 paper, which earned him the Nobel Prize in Economic Sciences in 1991).

In a first stage of the debate, the fact that, for some reasons, market relations have been depicted as power-free has led economic power (within the firm) to be analysed as an exception to the general model of perfectly competitive markets. This has raised the question of ‘the boundaries of the firm’ as if the firm and its authority relations were in fact antagonistic to the market, with its competitive and power-free relations. In this way the obvious fact that the firm and the market are both essential institutions in capitalism is lost.

The successive step, which consists in questioning the assumption that power is effectively confined within the firm, has finally led to a more accurate definition of the problem. The theoretical question has become, where are the boundaries of economic power? With this narrow definition of the problem, the answer is clear-cut but different for each of these neoclassical approaches: the whole set of economic relations is divided into two disjoint subsets—one characterised by a lack of imperfections and regulated by Walrasian competition, the other characterised by imperfections and regulated by power relations—and the difference between all these theories involves the position of the borderline between these subsets.

This ontology can be represented graphically (Figure 1), with the convention that the Walrasian world is on the left of the borderline and the imperfect world is on the right.

If we let the borderline move from left to right, the sphere of existence of power relations is progressively compressed. As limit cases, if the borderline is at the left boundary of economic relations, we have a conception according to which power relations embrace the whole economy. If it is at the right boundary, we have a conception of the economy as involving no power relations and whose formal representation is provided by the general equilibrium model.

In the representational scheme, the approach of Alchian and Demsetz is the most radical one on the right-hand side (Figure 2). They see perfect competition everywhere, even when this mode of interaction is actually suppressed by other economic mechanisms.

Therefore they deny the existence of any power relations in the economy and compress the sphere of existence of power into the empty set. However, their underlying theoretical context is ambiguous. On the one hand, to explain the firm, they explicitly introduce imperfect information; on the other hand, they implicitly assume a perfect theoretical context when they claim that the employer has no real power over his workers.

⁸ My critique of the attempts to study the institutions of capitalism by means of neoclassical tools is developed in two articles: in Palermo (2000) I argue that new institutional economics fails in both of its attempts to theoretically characterise the capitalist firm and to analyse the power relations of capitalism; in Ankarloo and Palermo (2004) we focus the critique on Williamson’s transaction costs economics.

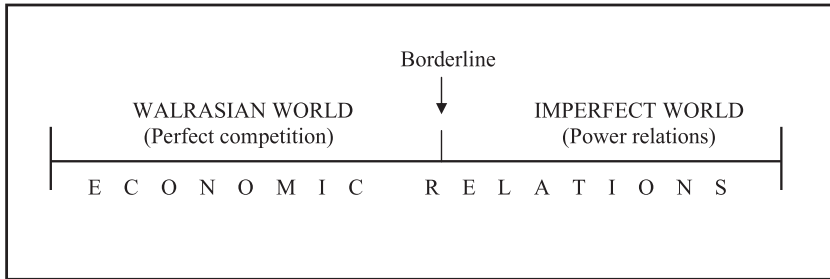


Fig. 1. *The boundaries of competition and power.*

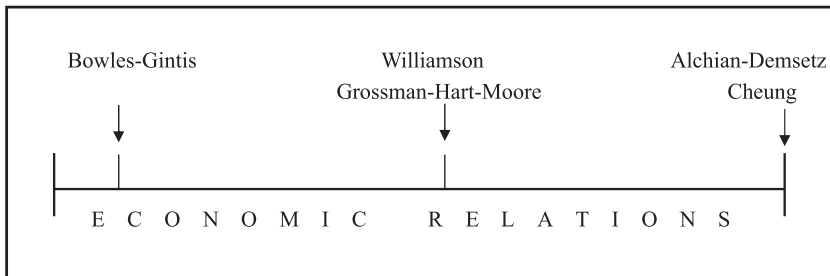


Fig. 2. *The terms of the debate.*

However, Stephen Cheung takes a well-defined route and, to coherently defend the thesis that there is no power in capitalism, goes back again to the Walrasian world—a world in which power relations disappear, but the firm disappears as well. In his view, what we generally call a ‘firm’ is a complex nexus of market contracts. The firm is itself a sort of market and is thus theoretically indistinguishable from it. Nobody is clearer than the author himself:

It is often the case that the entrepreneur who holds employment contracts (and it is not clear whether it is the entrepreneur who employs the worker or the worker who employs the entrepreneur) may contract with other firms; a contractor may sub-contract; a sub-contractor may sub-sub-contract further; ... With this approach the size of the firm becomes indeterminate and unimportant. (Cheung, 1987, p. 57)

If we cannot in any meaningful economic sense identify ‘firms’, as separate entities, we do not know what a firm is when we see one in the real world. (Cheung, 1992, p. 56)

Cheung’s contribution is peculiar: he assumes that markets are universal and everlasting and, on this basis, carries Alchian and Demsetz’s approach to its logical conclusion. Faced with the inevitable conflict between his theory and reality, he rejects the existence of the reality he wished to explain on theoretical grounds: in his theory of the firm, firms do not exist! However, at least power does not exist either.

In open contrast with this position, new institutionalists such as Williamson, Grossman, Hart and Moore recognise that power relations do in fact exist. They explicitly define imperfect theoretical contexts to explain the firm and identify power relations with intrafirm relations. For this reason they restrict the analysis of power relations to the particular forms these relations acquire within the firm, namely authority and hierarchy. At the same time, however, they concede that there is no room for power outside the firm. Like Alchian, Demsetz and Cheung, they assume that the

boundaries of power coincide with those of the firm. Unlike them, however, they do not see the firm as a form of (perfectly competitive) market but rather as an alternative (and, under certain conditions, more efficient) allocative mechanism.

Bowles and Gintis make a further step on the left and show that power relations exist even beyond the boundaries of the firm to the extent that markets are imperfect. It is not clear whether Bowles and Gintis push the borderline to the far-left boundary of economic relations. The authors explicitly contend that power relations are ubiquitous in real capitalist economies. This might suggest that there is no room for power-free relations in their conception. However, this is only because they see imperfections as pervasive in the real world. Like for their less radical colleagues, the sphere of existence of power relations coincides with the diffusion of imperfections in the theoretical context. Therefore, if it happens that demand equals supply in a particular market, then their theory implies that interpersonal relationships are power-free within such a subset of the economic realm.⁹ Therefore Bowles and Gintis's theory does not challenge the neoliberal conception of power relations. Their radicalism consists simply in moving the borderline a bit more to the left. However it is also entirely internal to the logic of neoclassical economics, which is a logic according to which competition is natural and its failure is the *cause* of power relations.

4. The myth of perfect competition

4.1 Methodology, ontology and scientific goals

In their analysis of power and competition, Marx and neoclassical economists follow radically different methods: one starts with the commodity, within a historical system based on commodity production, and the others start with the individual, within an abstract system of complete and perfect markets. This methodological choice is the result of different scientific goals and presupposes a different economic ontology.

Marx's critical analysis aims to reveal the essential relations of the capitalist mode of production and their coercive nature, which are hidden behind the appearance of free interpersonal relations. In his work, methodological and ontological issues are strictly related and developed explicitly. The choice of the categories to start with and the method to develop their analysis are consequences of an ontological reasoning: capitalism, like all modes of production, must first of all reproduce itself. Like other modes of production, it is presumably not everlasting. However the fact that it has lasted for centuries suggests that some reproducing mechanism does in fact exist. The scientific problem is then to discover these mechanisms and understand how they work. Given the historical nature of the whole mode of production, its reproducing mechanisms also necessarily have a historical nature.

For ontological reasons Marx chooses to start from the commodity as the elementary category of this mode of production. He soon notices that the production of commodities depends on the existence of a class of persons in constant need of selling their labour power. In this perspective, social classes are not merely theoretical constructs but essential ontological entities of the capitalist mode of production. The necessity to consider them explicitly is not a problem related to their concrete empirical

⁹ Elsewhere I have developed an alternative conception of power relations within a Marxian perspective and have argued that capitalism is a *system of power* (Palermo, 2007A). However I would not locate my position on the far-left boundary of economic relations, because I find this antagonism between power and Walrasian competition ontologically untenable. My critique of the neoclassical ontology of power and competition is developed in Palermo (2007B, 2014).

configuration but is a problem of internal consistency: an economic model must contain mechanisms that allow the economy to reproduce itself. In his theory, competition is the mechanism that regulates this process. More generally competition regulates the relations among individual capital in the overall process of capital valorisation. In the analysis of these processes, Marx shows that competition produces a number of contradictory tendencies that make the reproduction of the system increasingly problematic and that create the conditions for superseding the capitalist mode of production.

By contrast, neoclassical economics does not start with any ontological reasoning and rarely discusses methodological choices explicitly. In some cases the uncritical acceptance of methodological individualism is simply a matter of scientific prestige, which is a condition for being taken seriously in the academic arena.

The neoclassical ontology is not built as an attempt to discover the essential categories of capitalism. The conditions of the reproducibility of the system are not even investigated. Rather, ontology is assumed to be an indirect and implicit consequence of methodological choices. Without much philosophical discussion, ontological individualism is simply assumed as flowing naturally from methodological individualism.

The starting point of the analysis is an abstract model (the Walrasian model), not a historical reality. The problem is not to understand how capitalism works and reproduces itself, but to explain how power relations can be introduced into a general equilibrium framework. Hence the debate over power is basically an exercise in pure logic. These theories can at best solve the problems of the Walrasian model by playing with assumptions and imperfections, but they cannot explain the nature of power relations in the real history of capitalism.

With these premises, the eventual existence of power relations is sought in the asymmetries between interacting individuals in a given theoretical context. Human nature becomes a sort of *deus ex machina*, a universal cause that cannot be explained. Social classes play no necessary role in the working and reproduction of the economy. They can be formalised explicitly as empirical homogeneous groups of persons or taken as implicit. However they are superfluous add-ons because the model works even without them.

In the neoclassical ontology, the nature of power relations can be found only within the interpersonal relation itself. By construction, the latter can have a power content only by introducing imperfections in the Walrasian world. In this ontology, power relations can exist only as violations of perfectly competitive interactions.

4.2 *Ideology, political positions and apologetics*

Theoretically the incompatibility of power and competition suggests that these variables should play perfectly symmetrical roles in the neoclassical framework. Curiously, however, neoclassical economists treat them asymmetrically in concrete model building: power is the scientific problem and the phenomenon to explain; perfect competition is a starting point and an assumption that deserves no scientific explanation.

In his market/hierarchies framework, Williamson (1975, p. 20) defines the problem very clearly: ‘in the beginning there were markets’ is his explicit methodological assumption. The market and its competitive mechanism are explanatory causes; hierarchical organisations and their internal power relations are instead scientific problems in wait of explanations. This is a bizarre position for an author whose scientific project is to explain ‘The economic institutions of capitalism’ (the title of one of his most

influential books). By assuming the market, Williamson precludes himself the possibility of explaining it. At best he can explain the other institutions of capitalism, but not this one, which is at the core of the capitalist mode of production.

Of course, Williamson himself notes that one might assume an initial starting point of pure planning and comparative analysis would bring the same result. However some other institutions of capitalism, such as the state or the firm, would then remain unexplained. With comparative statics it is not only true that the final institutional configuration does not depend on initial conditions, but it is also true that one institutional arrangement must be taken as a theoretical starting point. Therefore Williamson's project would be contradictory anyway.

Here we have another phenomenon to explain: why do all neoclassical economists choose the perfect market as a natural starting point? Lacking any analytical reason, the answer is to be found in ideology. In this conception the market is idealised and transformed from a historical institution into a universal category. It is emptied of all its institutional features and presented as an ideal mode of interaction, a natural entity, without history. Against this method, William Dugger observes:

The neoclassical market is an act of God, not an act of man. It is natural rather than artificial. ... The natural market is beyond the will of humans. It is a product of nature existing outside of history. ... But the spontaneous market, the natural market, is an assumption. It is not a unit of enquiry, something to be investigated. Instead it is something to be assumed, taken for granted ... the market is taken as the only real circulation process and the market is simply assumed to exist. It is viewed as a self-generated phenomenon, a product of immaculate conception and virgin birth. (Dugger, 1992, p. 89)

By assuming the market as an ideal context of interpersonal interactions, neoclassical economists also assume its mode of coordination: in this conception, perfect competition is not a historical process but the way markets are supposed to work in a perfect theoretical context. Individuals can express their will freely only in perfectly competitive markets. Power relations prevail outside of perfectly competitive markets and within imperfect contexts.

In the case of ultraliberal authors, this ideological position is assumed with explicit apologetic purposes as an attempt to justify the efficiency of capitalist institutions and depict capitalism as a system free from substantial power relations. In other cases, power relations are assumed to exist but only as an exception to perfect competition, with radicals maintaining that the exception may be perfect competition and not power in the real world. Independent of the eventual political purposes of the authors, these exercises incorporate the same ideological premise according to which competitive capitalism is the best of all possible worlds, but unfortunately imperfections impose some second-best solutions based on power relations in the real world.

4.3 The genesis of the myth

After having assumed the free market as an initial category without any ontological reasoning, neoclassical economics makes another logical jump by characterising capitalism simply as a system based on market relations. However, the free market is only one of the historical conditions for the development of proper capitalistic relations. The other condition is the divorce of producers from the means of production. The former expresses formal individual freedom, but the latter is the basis for substantial

social coercion. These conditions together are the specificity of the capitalist mode of production.

Neoclassical economists see only half of the problem. In their conception, a world of perfect competition is a world free from power relations by definition. They identify capitalism with free contracting and individual freedoms but do not grasp the necessity of economic asymmetries between (classes of) individuals, which they consider only eventual. The fact that the capitalist and the worker necessarily face completely different material constraints when they ‘freely’ sign the contract is not seen as a potential cause of their contractual power relation; their different roles in production as members of opposing social classes is supposed to have no consequence on the power content of their interpersonal relationship. On the contrary, the implicit assumption is that contracts are signed in a vacuum in which only subjective choice matters and that eventual power relations must be consequences of these subjective asymmetries within imperfect theoretical contexts.

In his critique of ‘vulgar’ political economy, Marx (1867, ch. 6) notices that this representation of the capitalist–worker relationship as a relationship between equals is due to the theoretical conflation of the spheres of production and circulation. In the sphere of circulation these social figures appear on the same ground: ‘There alone rule Freedom, Equality, Property and Bentham’, says Marx provocatively. However, the fact that they exchange a very particular commodity, labour power, is not irrelevant because wage labour is the very peculiarity of this mode of production:

On leaving this sphere of simple circulation or of exchange of commodities, which furnishes the ‘Free-trader Vulgaris’ with his views and ideas, and with the standard by which he judges a society based on capital and wages, we think we can perceive a change in the physiognomy of our dramatis personae. He, who before was the money-owner, now strides in front as capitalist; the possessor of labour-power follows as his labourer. The one with an air of importance, smirking, intent on business; the other, timid and holding back, like one who is bringing his own hide to market and has nothing to expect but—a hiding. (Marx, 1867, ch. 6)

Historically it is precisely in the process of commodification of labour power that competition becomes the main coercive mechanism governing capitalistic social relations. Juridically, individuals become equal before the law and free to buy and sell labour power; however, economically, they are placed in front of different material conditions, with one class of persons having nothing to sell but their labour power and another class of persons endowed with the economic means to buy it. It is in this contradictory process that competition assumes a coercive social content. In the capitalist mode of production, competition is not simply a mechanism that puts one individual against another but a form of social coercion between classes.

According to Marx, the fact that competition may appear as a context free from power relations is itself the product of capitalist interaction. Human nature, which is the general assumption of all the theories based on methodological individualism, is part of this historical process: it is not everlasting but changes with the transformation of the modes of organisation of society. This point is developed by Marx in his severe critique of Proudhon’s attempt to prove the eternity of competition as a product of human nature. Marx (1847B, ch. 2, part 3) writes that ‘M. Proudhon does not know that all history is nothing but a continuous transformation of human nature.’ Therefore the problem is not to explain how an immutable human nature produces capitalism but to understand how historically capital has imposed its logic on society and transformed human nature.

In the unpublished sixth chapter of the first volume of *Capital*, Marx (1864) discusses the ways capital tends to subsume the labour process. Theoretically he distinguishes between formal and real subsumption. The former occurs when capital penetrates pre-existing working processes without transforming the concrete activity of the worker: capital imposes its logic on the labour process and allows its owner to appropriate the surplus value realised by the worker, which is a surplus value stemming from a surplus labour that already existed before the transition to proper capitalistic production. The latter occurs when capital puts labour concretely under its command by reorganising the labour process according to capitalistic principles and by transforming and reshaping the tasks of the worker and its way of working.

In the development of the capitalist mode of production, Marx argues that formal subsumption tends to become real. Only under simple reproduction can the labour process repeat itself invariably. However capitalism is an intrinsically dynamic system: technology is continuously innovated; cheaper processes of production replace older, less competitive processes; and large capitals exploit economies of scale better than small capitals. In these processes, which are set in motion by competition, the worker adapts to the organising principles of capital. His concrete work is no longer the same. In some cases the worker himself becomes an appendage of the machine. The individual worker has no effective means of resistance to these tendencies. He may destroy or sabotage the machine, which is the concrete commodity that dictates his tasks and his pace of work, but he cannot abolish competition, which is the superior force that guides these processes.

In these processes the reign of capital and its coercive law tend to become the standards of society. Social goals, moral norms, traditions, customs and habits give way to commodity production and 'cash payment'. Production becomes only a matter of profit seeking and individuals, who are the starting point of all explanations according to methodological individualism, become nothing else but means of capital valorisation. Competition becomes the general mode of social interaction in this mode of production. It operates as an external coercive law governing an increasingly wide spectrum of social relations and presenting itself as an autonomous force.

Only at this stage can competition appear as natural. With the generalisation of commodity production, competition becomes part of the 'natural' way of individuals to relate to their fellows. Competition becomes a social standard, a normative benchmark that imposes its logic in every act of social life and far beyond the realm of commodity production. It becomes natural to compete at school, in physical activities, in art and in writing scientific articles. For the scientist it becomes possible to conceive of a perfect world entirely regulated by competition whose corollary, once the myth of perfect competition has asserted itself in science and society, is the conception of a set of imperfect worlds where power partially supersedes competition.

5. Conclusions

Competition is not a specific mechanism of capitalism, but exists in other modes of production as well. As Engels argues, it exists in all economic systems in which private property and the market exist. However it assumes a special role in capitalism because private property and the market impose their logic on the overall production process. Thus competition becomes the general mechanism that regulates this mode of production.

According to Marx and Engels, the historical development of competition is nothing but the process through which capital accumulation becomes an independent force that is detached from the needs and preferences of individuals and society. In this process, capital accumulation becomes a goal in itself, whose paladin is indeed competition. No worker is obliged to sell his labour power at the lowest price and no capitalist is obliged to seek the most profitable productions and the least expensive techniques. However if they do not do this, the former does not obtain the means of subsistence and the latter is put out of the market. This is not to say that individuals and society cannot pursue autonomous objectives in capitalism. However they must mediate these objectives with the logic of competition and capital accumulation. Individuals choose according to their subjective values but only within the objective dictates of competition.

In capitalism, competition acts as an external coercive law that operates asymmetrically within social classes and whose effect is the reproduction of class relations. Thus individual freedom and social coercion are perfectly compatible in capitalism: they express the way competition regulates human relations at an interpersonal and a social level.

Against this conception of competition as a contradictory force of capitalist development, neoclassical economists take competition as the benchmark of social rationality. Without even trying to explain its causes, they define it as an everlasting principle to which all economic relations should conform. By contrasting competition with monopoly and power, neoclassical economics tries to show that the problems of capitalism, which depend on its failure to reach Pareto efficiency in this conception, are not caused by competition but by the lack of it.

Although the neoclassical approaches that I have considered differ to some extent, these are the common features of their underlying conception of power and competition: competition is deprived of its class content, emptied of its coercive role and presented as a pure expression of free will; power is just the negation of perfect competition.

In this process of idealisation and sacralisation of competition, neoclassical economists do nothing more than rationalise the viewpoint of the class that takes its strength from the existence of competitive relations and attempt to substantiate this viewpoint scientifically. Methodological individualism, ahistoricism and the myth of perfect competition are the ingredients of this scientific programme. A sophisticated version of vulgar economics is the result.

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