

THE POWER OF ECONOMICS

Robert Heilbroner

Paper prepared for 2000 Other Canon Conference in Oslo.

Progress, as we have seen, is a word with natural attractions for economists, above all its association with economic growth. Power, one would assume, must be even more attractive to practitioners of economics, and so it is, if by the word we mean those in the business of making money or managing the affairs of companies or trying to beat the stock market. Everyone I know who is engaged in these endeavours reads the **Wall Street Journal** and the **New York Times** religiously, not only to keep abreast of goings-on in their own particular fields, but to see what is happening in the real worlds of power, by which I mean not only that of politics but the expansion-minded, risk-laden, ambitious spectrum of activities we call the economy, whence power arises like a great mist whose origins are no doubt best understood by those specialized analysts called economists.

Curiously, however, power is a word one almost never finds in the world of scholarly economics. Why that should be – why economists should have an aversion, or perhaps only an indifference, to examining what would seem a matter of fundamental importance and deepest interest for them will be the central theme of this chapter, whose findings, I hope, will be illuminating, if also discomforting with respect to the field of which I am certainly an admirer, if also a critic.

II

Let me begin by suggesting why professional economists do not feel a natural attraction to the idea of power. It is that they see the economy as an apolitical system whose properties derive largely from the **curtailment** of individual power characteristic of all competitive arrangements – in particular those of the market.

If, however, economists saw the field of activity we call the economy as first and foremost a social and political structure, the concept of power would come spontaneously to mind. For then the market system would be perceived not merely as a field for competition, which assuredly it is, but also as an institution compatible with – indeed, perhaps indispensable for – the accumulation of capital, certainly an instrument for the exercise of private or commercial influence. Would not then its power-related significance immediately suggest itself? As a clincher, would not that

thought be supported by the historic fact that the capital-accumulating system, not yet called capitalism, was ultimately responsible for the demise of feudalism, a history-making display of power, if ever there was one.

All this suggests the need to look more carefully into the meaning(s) of our key word. The parenthesized plural is not intended as a warning against definitional tricks to come. It goes, rather, to the heart of the problem, which lies in finding a clear meaning for our key word – perhaps concept is the better term. I shall start with a distinction that may well have occurred to the reader: it is that between power and force. Here, even the second word has surprisingly varied meanings – compare, for instance, the force of arms with the force of argument. Yet, on reflection there is a tacit implication that separates both meanings of Force from those of Power. It is the degree of risk incurred by those exposed to force – a vulnerability that runs from physical injury, even death, to defeat of a less physical but none the less potentially devastating sort, such as the loss of one’s credibility or respect. Power has no such lurking threats.

If an examination of so seemingly clear a term as force surprises us, consider now the complexity of power: there is the power to declare war and the power to surrender, the power to hire and the power to fire, the power to speak and the power to remain silent... No such range of applications applies to Progress, all of whose usages are concerned with improvement or advancement of one kind or another. Thus unlike force, power is a word with a wide range of applications and no seeming focus of definitional consequence.

Yet on second thought, power does possess a unique identificatory element: it is usually associated with a far greater degree of social respectability than force. Thus power is usually ‘vested’, whether by legislation or convention, in a personage – a socially defined individual: king, general, judge, policeman, parent – who enjoys as a consequence the right to approve, forbid, curtail, or punish the behavior of designated individuals from subjects through soldiers down to one’s own children.

As a result there is a converse side to power in the obedience – not the submission we associate with force – of the individuals in whom some form of power is vested, with regard to whatever system of ideas and beliefs underlie the practices by which their power is made manifest. Thus the power-laden idea of the law provides the rationale for the activities of a police force; the power-related concept of monarchy legitimates the behavior of royalty and to a lesser extent that of lords; the belief-systems of religion convey specific powers to a priesthood or clergy. That now leads us to the central question of our essay – the power-related set of concepts that underlie the structures and

workings of the economic order in which we live.

III

As we know from our previous chapter, the workings of that order are far different from those of past history, and for that very reason we need to review briefly the ‘economics’ of these preceding social formations.

The quotation marks remind us that there was nothing approaching what we would call economic thought until the late eighteenth century when Adam Smith’s path-breaking **Wealth of Nations** presented the first systematic analysis of the workings of what he called a System of Perfect Liberty – the forerunner of what we call capitalism.

Prior to that time, the vitally important tasks of reaping or trapping or making the foodstuffs and materials needed to sustain human existence were provided by two fundamentally different forms of social organization: hunting-and-gathering societies that fulfilled that function from Neanderthal times until their gradual displacement by hierarchical societies – pharaonic Egypt as an example – that introduced a system of command on top and slave or captive or simply powerless working forces below.

What interests us now is what provided these social orders with the understanding and guidance for which we look to economics. Over the pre-historic millennia of hunters and gatherers the answer is the presence of deeply ingrained tradition; in the societies of antiquity that followed, it was mainly military/political command above and ruthlessly enforced obedience below. Here we need note only that there was nothing resembling what we would call an ‘economic’ explanation system for the workings of the social structures that preserved humanity for an unimaginable span – an astonishing realization until we ask what was there to explain beyond the manifest importance of Tradition for the initial social order and Command for its successor – both drawing on the submission of self to society for which childhood experience itself provides the essential preparedness.

As for the market system that would set the stage for economics with its legitimating power—a word for which we have been waiting – that would have to wait until the act of exchange, itself as old as the prehistoric hills, would be lifted from the background of collective life to its foreground. In turn, this would await the establishment of exchange on an organized basis requiring caravans on land and fleets at sea, the invention and then universalization of an artefact to be called money, and finally the legitimation of exchange motivated by private gain – itself a process of enormous social change that begins perhaps in the first few millennia BC and does not receive the accolade of full social and religious respectability until around the time of the Declaration of Independence, a period

very nearly as long as this sentence.

As we have already emphasized, these social re-arrangements were intrinsically political – that is, power-related – as are all restructurings that substantially alter the manner in which society is organized, which in turn brings a transfer of power from those who lose social importance to those who gain it. With regard to the advent of capitalism, in which all these changes played indispensable roles, the process never took on the stark clarity of the conquests of a Caesar. Moreover, it is more difficult to see as ‘political’ a shift brought about by the slow rise of individuals who do not see themselves as leaders of a social class, much less a social movement. Thus, even Adam Smith did not perceive his Society of Perfect Liberty as ushering in a new era whose economics – not least its ideas as to the workings of that previously suspect institution, a free market – would have been incomprehensible, as well as unacceptable, to the unworldly philosophers who wrote about such matters prior to the appearance of Smith’s **Wealth**. And it would still be another century until Marx first saw the significance of capitalism as a system of power – a view that has yet to be taught as an integral part of academic economics.¹

IV

All this brings us toward the purpose of this essay – an examination of the nature of the power that arises in the unique institutional framework of capitalist societies – namely, their economies. To be sure, all social orders must have economies in the sense of organized provisioning of their material requirements. But as we have seen, this can take social forms utterly different from, and in a sense at odds with the very idea of a market/private accumulation system still centuries in the future. To repeat, only capitalism entrusts the all-important matter of provisioning to the seemingly undirected market and the selfish force of the quest for private wealth. This now raises the question of what manner of power – and behind that, of social order – could emerge from such sources?

Here we come to what I believe to be the central question concerning power in capitalism. What are its order bestowing forces, and behind them its order-determining principles? Insofar as both are easier to understand and more convincing to think about when we start from concrete examples, so let us first consider the case of a worker fired by his boss.

Does this demonstrate the obedience that is the essential counterpart of successful power? The answer is surely Yes. The dismissed worker who refuses to leave his or her place of employment can be forced to do so by the police. Note, however, that the dismissed worker obeys the institution

¹ Insofar as I feel obliged to back such a claim in a footnote I ask readers if they have ever seen capitalism described as

of wage labor, not the person who is its immediate agent; he does not obey his boss as a source of power, but as its agent.

Per contra, although the boss, as a persona, enjoys far greater power than the worker, he is not entitled to force as a consequence. Thus he can sever a worker from his employment, and as a consequence from his existing income, but he cannot whip him, as could a lord his serf; nor sell him, as could an 18th century American landlord his slave, or blacklist him as could a Stalinist commissar his truculent subordinate – examples that are not meant to soften judgments concerning the condition of workers in today’s capitalisms, but which must be borne in mind when we try to set the question of power and obedience into historical perspective.

Next comes a more important case – buying and selling in the market. Buyers and sellers are certainly in opposition to one another, and it is clear that at times each may experience something that certainly resembles force. But can the buyer or seller who is bettered in an exchange be said to have obeyed the other, in the sense that fired workers obey their bosses?

This time the answer is again No. It seems to be Yes in that the weaker side accepts the injurious price of the stronger. But it is No because, however injured by the price of his adversary, neither buyer nor seller ‘obeys’ his living counterpart. Rather, like the wage earner, he sees his ‘enemy’ as the agent, not the source of his misfortune. Moreover, unlike the worker, both buyer and seller will, in most cases, be able to return to the market tomorrow, perhaps to find that the balance of market forces has located power on their side.²

We can widen these examples in a important way by seeing capitalism itself is a vast extension of the worker/boss and buyer/seller relationships – employers normally having more bargaining strength than their adversaries, as do buyers compared to sellers, except when events such as wars or shortages boost the bargaining position of the latter. Another overall view may be more interesting: it is capitalism as a unique order in having two internal struggles over power: an inter-class contest of workers and employers that poses deep potential systemic threats, but only rarely disrupts the ongoing momentum of market life, and an intra-class contest between buyers and sellers that normally does not challenge – indeed, that supports – the economic order, even though on occasion it may quite seriously disturb its performance.

a system of power in any academic text book.

² It is often said that ‘the market’ sets prices. That cannot be true: the market is an institution that regulates the behavior

IV

Whence do the power-determining principles of capitalism arise? There is no clear-cut answer to this question, any more than to the same question directed at the principles behind monarchy or feudalism or, for that matter, socialism. In the case of capitalism, however, something like a formal basis for power exists in the laws that define the rights and obligations of buyers, sellers, workers, employers, corporations, and government agencies; while behind these power-defining legal documents, another 'book' examines the positive and negative effects of competition, monopoly, government action of many kinds, international trade and much else. This book is, of course, written by those recognized students of capitalism, the academic economists who might, I should add, however, prefer 'market system' to the preceding identification of their object of study.

What are the consequences of this complex basis for power? I would say they are two – one well known, the other ignored or perhaps unrecognized. The first attributes the remarkable growth-related dynamics of capitalism to the effective shielding of the marketplace – the boiler-room of the capitalist ship – from the interference of government. In this way, the market sets a pattern for a social order in which government plays a supportive, rather than a dominating role in economic life, more like the councils of elders in pre-capitalist societies than the power hierarchies of ancient command orders, or their descendants, the bureaucratic system of today's socialisms.

I need hardly add that the gain in efficiency which stemmed from the gradual establishment of a free market has long been a central teaching, not to say preaching, of its accompanying explanation-system, economics. This is all familiar enough, but here I would like to suggest a second, perhaps heretical, view. It is that the market arrangements of capitalism, far from being depoliticized, are in fact as profoundly power-related as were the rules of tradition in pre-command societies and the explicit directives that followed the rise of command systems of all kinds. The difference is that under nascent capitalism, the exclusion of obedience with regard to the behavior of both buyers and sellers becomes a potent rationale for the limitation of government within the over-all economic process. To make my point again, the market system – note the all-important noun – cannot come into existence until the appearance of profit-seeking capitalists and wage-seeking laborers, both the social product of the decay of the feudal order, together with the gradual appearance of the procedures and obligations that constitute profit-oriented competition, the activity that more than any other provides the power of the system as a whole.

of individuals who alone can make bids and offers – that is, buy and sell.

Needless to say, I am not suggesting that the free market was explicitly designed to provide a model for a new economic order. What I do suggest is that the market structure endows capitalism with the possibility of creating an economic society in which power is explicitly divided between two ‘sectors’ – the first comprising the activities of individuals seeking to better their individual economic status; the latter, the locus of governmental action whose purpose is to undo unwanted side effects of the market sector or to provide programs that are beyond the capacity of private enterprise.

Thus today’s government is specifically charged with the constraint of monopolistic tendencies and practices, because these interfere with the competitive interplay that is the very source of market power, and is also authorized to undertake programs, such as unprofitable public projects, that are deemed to be in the long-term interest of the capitalist order itself. In this way the Economy, partly private, partly public, becomes the locus for the unique form of power in capitalism, the replacement for Tradition in earliest social orders, and of Command in their immediate, and modern-day successors.

V

How shall we describe this conception of Power? It may help if we contrast it with the many meanings that apply to Progress – namely, technological advancement, moral improvement, economic growth and yet others. Power on the contrary, has but a single clear-cut function – to provide and enforce rules of behavior in areas that affect the smooth working of the economic order. Here perhaps I should say **attempt** to provide such order, a task that would be difficult under any circumstances, above all in the face of the democratic governmental form that seems the most effective political accompaniment of capitalism itself, perhaps because democratic dynamics mirror in many ways those of the market.

By now a question may have entered some readers’ minds. What about the power of subversive political movements? It must be clear that these are instances of force, not power, above all if they require a kind of surrender that is different from the discipline of normal democratic organization. As such, political force has no legitimacy – indeed, it is a tool for the disestablishment, rather the establishment of stable and lasting structures of government.

This, however, leads to a much more troublesome problem. It is that any social structure endowed with Power has, as its consequence, the illegitimacy of all anti *status-quo* programs, whatever their would-be constructive intents: Marxist ideas lack legitimacy in a capitalist society, as do

capitalist ideas in a Marxian society.

Force is thus normally a means for the destruction of an established order, and power for its preservation – a safeguard against disruptive and dangerous changes of many kinds. Yet, is it not the case that force can on occasion – indeed, very important occasion – be the means – worse, the only available means – for the emplacement of a set of rights where there now exists a set of wrongs, a process to whose outcome we may award the name of Progress? This is, of course, no more than a confrontation of the ancient contest between socio-political means and ends – a confrontation that gains in immediacy when we transplant the setting from historic drama to an awareness of the gains and losses imposed by power in the society in which we live – the boss versus the worker, the corporation versus the consumer, the self-protective shield of capitalism against the possible gains from far-reaching change. The outcome of this inherent problem of power is impossible to foresee. But at least we can become aware of its presence, rather than believing that the power which is a necessary element in any successful social order is not also, by virtue of its very functions, the source of inequalities and injustices to which we remain blind at our own risk.

VI

I turn now to a final question, although I have touched on it before: why is the discipline of economics so blind to – I am inclined to say, loath to see – the inextricable co-existence of power—indeed a socio-political concept – and economics, inconceivable as a non socio-political structure? Why does not economics, which is first and foremost concerned with the performance of capitalism, openly examine the socio-political framework without which even such seemingly self-explanatory processes as market competition or capital accumulation could well not exist?

One answer is that economists have more and more come to consider their object of inquiry as deserving a science-like approach. The problem is that such an approach, for all its extraordinary power in clarifying the workings of inanimate nature, has no relevance to a world in which Power has attributes that do both appear under the lenses of microscope or telescope. There is, in a word, an unreachable gap between the ‘behavior’ of human actors and that of protons and stars. As a result, when economists seek to emulate the techniques of nature, they tend to disregard – even discard – such matters as the political aspects of economic life that we have just noted. As a result we have elegant functional representations of production and distribution but blank pages under the chapter headings of Progress, Power, Politics, Purpose. I would call such an attitude one of ideological myopia. Taking the **American Economic Review**, flagship of the American Economic Society,

as a crucial case in point, over its entire history not a single article has been devoted to an examination of this fundamental state of affairs.³

Last, but surely not least, what is the direction in which economic thought must evolve if it is to reinvest itself with the pith and penetration of Smith, Ricardo, Mill, Marx, Veblen, and a few souls in modern times whose reputations I would not wish to sully by mention here. But I hope that this chapter in its entirety points in the direction that economics must move if it is to regain the power that it once had, but has now largely lost. Of course that requires a measure of the social formation within which we stand and to which economics must direct its analytic gaze. I speak, of course, of capitalism. But that is too large a task for this chapter, and so I shall relegate it to the next to come.

³ This claim will be researched and reported in this footnote.