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## 1 INTRODUCTION

An idea currently held about the division of labour within the social sciences is that the central theme in many sociological theories is power while in economics, by contrast, it is efficiency (for example, see Baker 1990: 592). According to some authors, this difference in focus determines radically opposed approaches to social phenomena (*ibid.*). Can we really say that economists are unconcerned with the problem of power (with the well-recognized exception of 'market power' in the analysis of monopoly) and that their focus on efficiency issues prevents them from doing so? This is the question addressed in this paper and to which we want to bring a more balanced answer than the one suggested above.

At the start of our enquiry, there are two things which need to be clarified. First, attention will be exclusively focused on the dominant paradigm in economics, namely, the neoclassical school starting from the marginalist revolution in the last quarter of the 19th century. Second, as there is apparently no general consensus about what power means exactly, we have to be precise about how the concept is used throughout this paper. A useful starting point is Elster's distinction between force and coercion, taking coercion to imply the presence of an intentional agent or coercer, while force need not imply more than the presence of constraints that leave no room for choice (Elster 1985: 211-2). We take it that force is an abstract mechanism through which the impersonal logic of an economic system limits the actors' choices and affects their life situation. By **power**, we mean what Elster calls coercion, that is, the fact that a (powerful) agent, for his own benefit, drives another agent to take a course of action that he would not have followed in the absence of the first agent's intervention. It is however important to distinguish between two basic forms of power according to whether the power act enhances or harms the influenced agent's interests. Power is considered **exploitative** in the latter case while it is akin to a **leadership** process in the former.

The central thesis developed below is the following: while, till recently, economists were essentially concerned with analysing the (free) play of market forces and their consequences, thus leaving power (as defined above) outside their field of investigation, the same cannot be said of a host of recent contributions based upon different assumptions about the agents' behaviour and the constraints they face. The first part of this thesis is expounded in Section 2, and the second part in Sections 3 and 4. In Section 3, the relevance for the analysis of power of the concept of strategic rationality is highlighted. In Section 4, its usefulness for dealing with problems of asymmetric information (a potential source of power) is demonstrated. Section 5 asks the question as to whether economists analyse the state as a source of power and Section 6 briefly concludes the article.

## 2 ECONOMIC FORCES IN GENERAL EQUILIBRIUM THEORY

General equilibrium theory belongs to the hard core of modern economic theory. It is concerned with the question as to how a large number of freely interacting independent individuals can produce social order instead of chaos, leading the economy to a coherent disposition of resources. What bears emphasis here is that the participants in the market are assumed to behave according to the dictates of **parametric rationality**, meaning that they react rather mechanically (like mere automata) to the price signals which embody all the information they need to determine their best choices (those that maximize their individual utility). Within the framework of perfect competition (which includes perfect information),<sup>2</sup> prices are unique and exogenous to the agents, and no room is left for strategic and conflictual behaviour calling for negotiated or cooperative solutions. Because of the total transparency of the whole economic system for each agent, 'perfect competition turns out, paradoxically, to be the absence of all interaction among individuals' (De Villé 1990: 16).

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<sup>2</sup> Note that uncertainty and risk are also allowed in this framework and are usually dealt with by postulating a complete set of future and contingent markets. This ingenious procedure amounts to reducing uncertainty to a situation analytically equivalent to certainty.

The competitive economy is thus considered as an abstract mechanism which, **given individual preferences and technology**, yields equilibrium prices and quantities on each market. By so doing, it also establishes for each individual agent a one-to-one relationship between his initial endowment and his welfare. Viewed in this perspective, the poverty of some agents is not to be ascribed to any malevolent act of determinate (powerful) actors, but to the concurring effects of their low initial endowment and the *force des choses* expressed in the implacable and cold logic of the anonymous market. The sources of current income and wealth inequality can be located not only in the initial distribution of endowment, but also in different preference configurations (in particular, agents who are relatively risk-averse and cautious or have a strong preference for present consumption end up poorer, on average, than agents with opposite characteristics) and in the current state of the technology (think of the low wages resulting from the non-availability of labour-intensive technologies in a context of labour abundance). Yet, by considering all these factors and their possible variations either as exogenous or as resulting from the voluntary decisions of freely interacting agents, the neoclassical economist prevents himself from exploring the root causes of inequality and, more relevant to our purpose, he completely bypasses the issue of power.

Consider the modern analysis of exploitation by Roemer (1988): according to his definition, an individual is exploited in the capitalist system if he would be better off by withdrawing with an average share of the capital stock. Exploitation thus results from an unequal distribution of capital assets. Clearly, in his theory, Roemer is concerned with the twin issues of exploitation and inequality, but not with power as such. This does not mean that the author negates power as a possible cause of exploitation, simply, his analytical approach does not allow him to say anything meaningful about it. Likewise, by taking preferences as given,<sup>3</sup> economists are shutting any possibility of analysing power in the form of preference manipulation (such as when a country uses food aid to change the preferences of the receiving country so as to make it structurally dependent on its food supplies in the future). Moreover, since the rules of the market game are assumed to be equally given, the possibility of their having been

imposed in a coercive fashion is ruled out. This is well attested by colonial history: the Indian artisan whose trade was ruined by British textiles forcefully imported into India in the name of free trade was surely the victim of a power act. To take another (extreme) example, slavery is logically considered by economists just as a particular configuration of property rights, in which the slave-owner has property in others' labour.

Can we say that, because of some intrinsic conservatism, general equilibrium theorists are inherently reticent to admit the existence of power behind the scree of the 'market order'? No clear-cut answer can be given to this question. On the one hand, if they are unwilling to address this issue of power, it is mainly because, given their analytical apparatus, they do not see any fruitful way to elaborate on it. Neglect of power phenomena is thus to be traced not to any (inherently conservative) ideological stance, but to the working logic of their scientific paradigm. As attested by (normative) welfare theory economists can adopt a progressive approach when they discuss the possibility of altering the distribution of income through appropriate transfers in the form of taxes and subsidies. Yet, note carefully that the redistributor (the state, or, in the metaphoric language used by economists, the 'benevolent and omniscient planner') is not conceived as a powerful actor but as an abstract mechanism.

On the other hand, economists do not form an homogeneous milieu, and a group of them - very vocal and well-publicized, yet not as numerous as is often believed - is allergic to any analysis that leaves room for coercive acts. In this so-called contractarian strand of thought, the world is viewed as an arena where agents freely contract or refuse to do so and, whenever explicit transactions are not identifiable, implicit deals are posited to save the 'model': **all human interactions reduce to contracts**. A vivid illustration of this 'economistic' or 'reductionist' approach is provided by the neoclassical theory of feudalism (North and Thomas 1973: 29-30). Here, the lord-serf tie is construed as an exchange relation in which the lord provides defence services in return for the labour of the serf. According to this account, feudalism 'is a system of exchange in which each factor or agent receives a return that is necessary for that factor or agent to supply its services'. What is

3 In this respect, it is particularly revealing that economists have not been able to integrate within the theoretical kernel of their paradigm the main lessons from the sub-discipline known as marketing. Given

one of its objectives which is to study the preference formation process, marketing science benefits more from the teachings of psychology than from the economic theory.

more interesting is that, 'even the coercion of the serfs could be viewed as the outcome of a prior implicit contract between serfs and lords in which the serfs agreed to be coerced by the lord, knowing that in their myopic self-interest, they would otherwise act as free riders, and ultimately deprive themselves of the public goods they needed. Serfs, like Ulysses in his attempt to avoid the sirens, agreed to have themselves chained to the mast for fear of otherwise acting in self-destructive ways' (Roemer 1988: 31). Coercion being self-imposed, power is ruled out.

In the neoclassical theory of slavery, to take another illuminating example, the problem is again posed in contractual terms (see, e.g., Fenoaltea 1984; Bergstrom 1971; Barzel 1977, 1989). Thus, Barzel admits that, since the term 'contract' implies a voluntary relationship, it fits forced slavery 'less well' than voluntary slavery, yet he immediately adds that, nevertheless, 'the notion of a slave contract is still useful in analysing the institution of slavery' (Barzel 1989: 77). Many economists dealing with slavery (with the notable exception of Fenoaltea for whom pain incentives would stimulate higher levels of productivity than ordinary rewards) believe that under normal conditions productivity of slave labour ought to be lower than that of free wage labour. Their question is then why slaves did not buy out their contract more often (an act called manumission) or, on the contrary, given that the law afforded owners nearly absolute rights over their slaves, how some of the latter actually succeeded in acquiring property rights to their own labour. Transaction costs - that is, supervision and policy costs arising from asymmetric information (see below) - typically occupy centre-stage in the answers given to the last question and in attempts to explain the demise of slavery. Completely bypassed is therefore the important role of political and ideological factors not only in sustaining a socially inefficient institution that favoured a dominant class but also in causing its eventual abolition (for example, see Kolchin 1987).

### 3 MARKET POWER AND STRATEGIC RATIONALITY

As is well known, monopoly behaviour has always attracted the attention of economists as the polar opposite of the competitive market. In recent decades, milder forms of market power, usually sub-

sumed under the name 'oligopoly', have come to the forefront of economic theory.<sup>4</sup> Power is clearly at stake here, since the monopolist, due to his privileged position, extracts as much surplus as he can from the consumers by manipulating prices or quantities. Contrary to what has been noted with respect to the competitive market, economy analysis of **market power** provides clues about the origin of the concentration of resources which characterizes monopoly or oligopoly: increasing returns to scale, legal barriers to entry (e.g. regulations aiming at protecting innovative activities), better ability of small groups to organize and collude, etc.

In recent years, the concept of market power has been considerably enlarged owing to a major breakthrough in economic theory which followed upon the development of (mathematical) game theory. This methodological revolution has led economists to introduce a new concept of rationality, known as **strategic** rationality. Instead of the agents being conceived as facing given prices to which they mechanically adjust their (optimal) plans - which defines **parametric** rationality in the general equilibrium tradition - they are now viewed as **actors** who optimize by considering explicitly the effect of their own behaviour on market variables. An economic transaction now appears as an interaction among identifiable agents who are able, like in a chess game, to anticipate all the possible sequences of moves and countermoves and to define an appropriate plan of action (called a 'strategy') given the possible reactions of the other transactors. Thus, for example, a monopolist no longer faces an impersonal demand curve but customers endowed, say, with the capacity to issue credible threats of taking actions harmful to his interest. Clearly, the new methodology enables the economists to analyse problems of market power in much richer and more varied ways than was the case before. Its interest is also being increasingly perceived by scholars from other social sciences - such as sociology (Elster 1989; Coleman 1990), political science (Ostrom 1990; Farquharson 1969; Kramer 1977; Ferejohn 1978) and experimental psychology (Dawes and Thaler 1988) - who use game-theoretical concepts to approach a wide class of social phenomena.

A vivid illustration of the kind of power phenomena which the new approach allows one to address is provided by Basu's analysis of power exercised

4 Particularly relevant to our topic are the many analyses of the prime-mover advantage in price setting in an oligopolistic structure,

sometimes referred to as a von Stackelberg leadership (see Tirole 1988).

through 'triadic' relationships in agrarian economies (Basu 1986; see also Grossman 1991 and Skaperdas 1992). In his framework, 'what appears to be a voluntary exchange may be indirectly coercive' (*ibid.*: 260). For instance, it is possible that the landlord in offering an all-or-nothing contract to a tenant gives - along with it - the threat that if the latter does not accept his conditions, he will ensure that a third person will refuse to trade with him. If the landlord has the ability to influence this third party, the threat becomes credible and the tenant is forced into accepting a deal which clearly puts him at a disadvantage (*ibid.*: 267-74).

To shift to a more 'political' manifestation of power, let us now consider the case of a 'classical dictatorship'. As explained by Basu, if an unwanted ruler punishes whoever does not comply with his wishes and if the agony of punishment is greater than the benefits an individual gets from non-compliance, no individual would choose to disobey and the ruler would survive to the misfortune of all. This holds true even though everybody would be happier if everybody would decide to disobey the ruler in a coordinated way, thereby causing his overthrowing (*ibid.*: 260-1). People are obviously locked into a sub-optimal equilibrium supported by self-reinforcing expectations (Bardhan 1989: 14). Put in another way, even though power appears concentrated in one person (or group of persons) - the dictator - it is the expectations of his subjects and their inability to organize collectively and not the dictator's repressive strength that makes his power self-sustaining. In actual fact, in Basu's framework, the dictator needs not even personally threaten his subjects if he can rely on a set of coercive social norms or ideological beliefs which sustain the power equilibrium: this happens if everyone thinks not only that it is wrong to disobey but also that it is his duty to punish any other who might disobey. Of course, such consistent self-reproducing beliefs need not support perverse equilibria of the above kind, they may also support benign equilibria (see Platteau 1993). **The kind of power under consideration is therefore the collective outcome of the individual behaviour of all members in the society.**

Two things may be further noted. First, such a characterization is typical of the economic approach

in which 'there is no actor named "society"; mass action results from multitudes of individual choices' (Kuran 1991: 10).<sup>5</sup> This being said, the individual agent need not be a single person but may consist of a group (for example, the dictator could be a ruling class), provided that group behaviour can be shown to consistently derive from the rational behaviour of its members. This is not an easy task since, before assuming that an aggregate of individuals acts as a group, one has to show how the collective action (or free-rider) problem is effectively surmounted; that is, how individual members can forsake their short-term self-interest to enhance the group's interest and, thereby, their own long-term selfish interest (see Olson 1965; Elster 1989; Coleman 1990; Nablil and Nugent 1989; etc.). Second, as Basu, Jones and Schlicht (1987) have aptly emphasized, the above kind of economic analysis does not say anything about the **origin** of power: attention is focused on demonstrating how power is reproduced although everyone - except the dictator - would like to see it destroyed.

To conclude, thinking in strategical terms (as was indeed well understood by sociologists such as Crozier and Friedberg (1977) and Bourdieu (1980;1987)) is a promising way of highlighting the **mechanics** of power. As a matter of fact, power is now placed within the context of an encounter between active opponents. The comparative weakness of the dominated or poor agent does not arise from his passivity but rather from his inability to make credible threats of making moves that would improve his relative position. Note carefully that the interest of the new approach does not lay so much in its providing a new interpretation of economic transactions in competitive markets - in an atomistic universe, individuals cannot have any leverage on market prices - as in its allowing analysis of a vast range of situations in which a limited number of identifiable agents consciously interact with one another.

#### 4 POWER AND ASYMMETRIC INFORMATION

A major revolution occurred in recent economic thinking when economists questioned their standard assumption that information is public and perfectly (symmetrically) distributed among agents.

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5 Kuran has actually used the economic approach to explain why political revolutions always catch the world by surprise. A society can be on the brink of a revolution indefinitely, without anyone knowing this, yet a revolution can suddenly occur with a relatively minor shift

in the revolutionary threshold of a single agent (Kuran 1991). Interestingly, the idea that collective behaviour is characterized by threshold phenomena can be traced back to a sociologist (Granovetter 1978).

Instead, they typically<sup>6</sup> started to assume the opposite situation of asymmetric information in which agents holding private information are unwilling to release it because its dissemination would harm their own selfish interests. Information, now understood as a private good, becomes part of the agents' private endowment and an important source and instrument of power in economic transactions: for their own benefits, agents seek to influence the others' decision by hiding, partially revealing, distorting or manipulating the pieces of information relevant to them.

To illustrate, just think of a worker whose behaviour cannot be costlessly monitored by his employer.<sup>7</sup> Thanks to his control over information, the worker once engaged can apparently increase his welfare at the expense of his employer through labour shirking (including feigned illness), output misreporting, input pilfering, misuse or theft of productive assets, etc. It would, however, be wrong to infer from this that power is exclusively or even mainly in the hands of information-controlling agents. To pursue the above example, the employer may surmount the incentive problem created by his workers by selecting labour-displacing production techniques. Mechanization may thus appear as a major weapon used by employers against troublesome workers. For instance, in the *Journal de Chartres* of 28 July 1859, a newspaper which was the mouthpiece of big landlords' interests in the Beauce area, we read: 'The day when the first mechanical harvester will appear in our countryside will mark the beginning of our independence *vis-a-vis* the labourers ... The competition it will create will free the cultivators from the despotic power wielded by these labourers' (from Moulin 1988: 71). To take another example, certain authors argue that the factory has been born as a deliberate response by merchant entrepreneurs to the pervasive incentive problems they were confronted with in the putting-out system (North 1981: 167-8; Crouzet 1985: 46).

Another strategy is for the employers to divide the labour force into two distinct tiers. In order to elicit loyalty and trustworthiness from a first (privileged) group of workers, they pay them a higher wage and offer them longer contracts than they could otherwise obtain. Such a strategy obviously leads to an

excess demand for the permanent jobs thus created and the existence of the second group of workers - unemployed or casual - serves to discipline the first group. Based upon the principles of selectivity and exclusion, this subtle strategy uses the benefits conferred on the permanent (or regularly employed) workers as an instrument of control since they carry with them the implicit or explicit threat of withdrawal (see Shapiro and Stiglitz 1984; Eswaran and Kotwal 1985; Hart 1986). Another example illustrating how asset-owning agents may devise contracts that overcome various incentive problems arising from asymmetric information is that of sharecropping in agrarian economies. Due to the existence of such contracts, the landless get access to land, but only at the cost of increasing the production risk they have to assume (see, e.g., Otsuka, Chuma and Hayami 1992).

Clearly control of information does not necessarily confer decisive power over agents in possession of critical production means, yet it must be emphasized that asymmetric distribution of information imposes an unavoidable loss **on those agents**. (In the above examples, employers or landowners would have obtained a higher income with alternative contracts in a perfect-information world). Within the contract-theoretical framework, power is typically featured as a confrontation between agents possessing strategic information and agents possessing critical (usually scarce) production factors. (For a notable exception, see Bhaduri's model on usury in backward agriculture (Bhaduri 1977) in which the landlord controls land, capital and information about collateral value). This confrontation, which entails social costs - i.e., it sustains a Pareto-inferior outcome - takes the form of contractual or organizational mechanisms (the capitalist firm based on hierarchical relations can be analysed as a form devised to surmount various kinds of incentive problems (see Coase 1937; and Williamson 1985)).

If the above line of approach is followed, the question as to which party has the initiative or the ability to design contracts becomes crucial for a deeper understanding of the issue of power. For instance, why is it that it is the bosses who engage the workers and not the other way round (Marglin 1974)? Why does the labour force accept the **rules of the market**

6 As noted by Tirole, economists tend to overemphasize information manipulation and, by so doing, they ignore the fact that even well-intentioned members of an organization may have trouble communicating because communication is too time-consuming or because the information is hard to codify (Tirole 1988: 49).

7 The worker-employer relationship is used here as a metaphor to refer to a whole class of situations known as **moral hazard** issues which may also characterize durable goods markets, insurance markets, capital markets, or the financing and maintenance of public goods.

even when they are clearly set against them? One could thus imagine that, in the Shapiro-Stiglitz story, workers would unite together and create a trade union powerful enough to impose full employment on the employers. Why is it that, in some sharecropping models, the share is an instrumental variable controlled by the landlord, while in others it is assumed to be exogenously given? This is not a minor point since it hinges on the question as to whether historical factors or social norms do or do not constrain the landlords' space of manoeuvre (on this, see the illuminating account provided by Scott 1985).

With respect to such questions, the basic limitation of economic analysis is that it always requires a minimal **structure (rules) of the game** to be set (Field 1984). This implies that decision powers (who decides what) are clearly assigned to each agent and are not allowed to change under the impact of **endogenous** forces. For instance, who engages whom, whether the agents can refuse to transact or not, what their reserve (withdrawal) option consists of, what is exactly transacted between them, or which of the two opponents can make the first proposal,... are all framework conditions to be specified at the beginning of the analysis. Therefore, although economists are now able to explain some economic phenomena as resulting from the relative power of interacting agents, they still have little to say about the origin of power, that is, the origin of the opportunity sets and the fundamental rules which the agents face in their economic transactions. That this question of the origin is bypassed by economists is to be ultimately traced to their analytical (as opposed to holistic) approach whereby they derive rigorous propositions from a set of well-defined assumptions which just tell a 'plausible story' about the world.

## 5 THE STATE AS A COERCIVE AGENT?

Since the beginning, the role of the state in the market economy has been at the centre-stage of the economic debate. What is worth noting in the present context is that, till recently, even the economists for whom the state has significant functions to perform tended to view it as an abstract mechanism or a disembodied agent completely identified with the society's collective interests. In this perspective, the power dimension is completely absent from the

economists' doctrine of the state: indeed, it does not pursue any particular interest of its own and all it does is to (costlessly) enforce its socially optimal policies through a wide variety of instruments (taxes, quotas, rules). It is an omnipotent agent whose power vanishes from sight because it acts in a benevolent way.

Increasingly, economists have started to question the **benevolent despot** view of the state. Two fashionable approaches today are known as the 'new political economy' and rent-seeking theory. In the former approach, the state is under the active pressure of various interest groups or lobbies and its decisions (rules, policies, taxes, subsidies, quotas) are a pure reflection of the comparative strength of these groups. It is an abstract meeting point of all the different 'pressures' or 'forces' which represent contradictory interests present in the society. The state is a production function, a black box,<sup>8</sup> which transforms the different pressures in a unique outcome and the 'groups compete for political influence by spending time, energy, and money on the production of political pressure'. (Becker 1983: 377).

Note that some authors have attempted to explain why the ability to organize for lobbying purposes differs among various population groups. This is clearly the key issue in Olson's analysis of 'logic of collective action' where small group size is claimed to be a major advantage to overcome the free-rider problem in organizing (Olson 1965). This analytical track has been followed to explain the comparatively great strength of the agricultural lobbies in advanced countries (an approach known as 'the political economy of agricultural protection' - for example, see Gale Johnson 1988; Anderson and Hayami 1986); to vindicate greater devolution of power to village communities for the management of local-level environmental resources (Wade 1988; Ostrom 1990; Baland and Platteau 1993); or, in a more ambitious way, to account for the relative stagnation of old industrialized countries subject to the crippling pressures of powerful interest groups (Olson 1982). Such analyses, it is worth observing, are not exclusively concerned with the mechanics of power: insofar as they highlight some source(s) of differential abilities to organize, they also shed light on the origin of collective power.

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8 Thus, in a modelling effort that is representative of this approach, Becker writes: 'I shall not try to model how different political systems translate the activities of pressure groups into political influence.

Instead, I deal with the end product of such a translation, called "influence functions", that relate subsidies and taxes to the pressures exerted by all groups and to other variables' (Becker 1983: 375).

In the second approach, by virtue of the fact that it uses non-price mechanisms to allocate scarce resources, the state creates rents (e.g., through licensing) that become a source of wasteful competition among potential entrepreneurs (Krueger 1974). The state is prone to make 'mistakes' that create rents, yet these mistakes are left unexplained. Government is simply assumed to give rise to 'government failures'. In an extension of this approach, the state is a particular agent holding monopoly power which it uses arbitrarily in order to capture the rents associated with it. Instead of the benevolent despot of the classical model, the abstract locus of the political economy approach, or the mistake-maker of the rent-seeking theory, the state now appears as a wrongdoer bent upon draining resources away from the public for its own vested benefit.

Public choice theory represents an older (normative) approach to the state which has gained well-established recognition in the economic profession. It consists of analysing the process of political decision-making under the democratic system and of designing rules that ensure that the best-preferred outcome will emerge from this process. Particularly relevant to our topic is the analysis of political parties as competing oligopolists trading in votes: according to this logic, each party lays down its political platform with a view to attracting as many votes as possible. The political arena is thus viewed as a 'political market' in which politicians behave like merchants in approaching voters. Because of its contractarian perspective, this approach evades the issue of power: the state appears just as a channel through which the preferences of the public concerning goods get expressed. The state has therefore no *sui generis* power - it is the voice of the majority - as in the case of the benevolent despot doctrine - where it is the voice of the social interest. The same can also be said of the political economy approach (here power is entirely in the hands of interest groups) but not of a certain interpretation of the rent-seeking theory in which the state is an active monopolist. All the above approaches, it has to be admitted, contribute to our understanding of political power, yet, the striking fact is that they do not amount to a unified theoretical corpus about the working of the state in the market economy.

## 6 CONCLUSION

In view of the above analysis, it is not true to say that economists are unconcerned with the issue of power. The remarkable fact is that, even though power is not a stated preoccupation of the economic science, it has entered its field through the backdoor. This is mainly as a result of the evolution of the methodology used by economists which has allowed them to consider competition in a new light: a single agent faces not the impersonal forces of competition but identifiable opponents subject to influence. This new way of thinking has penetrated into many sub-fields of the discipline which explains why the issue of power is being addressed from a variety of analytical angles. Different forms of power therefore emerge from recent economic writings, such as: triadic or multilateral sanction or reputation mechanisms; divisive tactics; leadership as a first-mover mechanism; lobbying by interest groups; manipulation of prices or information; contractual designing; or the use of credible threats based on strong reputation. In most cases, power is to be understood in the **exploitative** sense although in some cases (like in the study of first-mover mechanisms) power assumes the form of a leadership process.

However, as is also evident from our presentation, the economic approach has its own limitations. In particular, mainly due to its abstract mode of analysis, it tends to focus on the mechanisms whereby power is exerted and reproduced while paying little attention to the basic question of its origin and formation. Moreover, again for reasons related to their methodology, economists completely bypass the symbolic dimension of power phenomena which remains the exclusive province of sociology (for example, Balandier 1992; Bourdieu 1980; Douglas 1986). If economists can deal with a wide range of social phenomena, including that of power, they always look at them from a particular angle determined by their specific analytical approach. Where their strength lies is also their weakness: their analysis may produce powerful insights (if the problem is posed in an interesting way)<sup>9</sup> and well-articulated results, yet it falls far short of a complete view of the matter and it is even liable to overlook aspects that others may rightly deem essential.

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9 For an illustration of a rather sterile approach by an economist to the problem of power and conflict, see Skaperdas 1992.

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