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Abstract (98 words): We investigate the concept of economic power in the three main paradigms of economic thinking in the 20th century: neoclassical, marxist and institutionalist. We propose a reconstruction, based on a new taxonomy, of the various forms of power conceptualized by each of them. In particular, we claim that the neoclassical paradigm contains a consistent although often implicit theory of power. We then show that many controversies between these paradigms were debates on power and that some shifts in mainstream economics in the 1970s and 1980s are a reaction to the criticisms leveled against the neoclassical conceptualization of power.

Key-words : Power – Markets – Consumer sovereignty – History of economics

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0. Introduction

Recent years have seen some of the most prominent economists in the world mentioning economic power in their papers' or books' titles (Stansbury & Summers 2020, Stiglitz 2020, Arnim & Stiglitz 2022, Acemoglu & Johnson 2023). When other, no less recognised figures call for a reorientation of the discipline, they define the conceptual aim of their project as to take into account "how power asymmetries shape our contemporary economy" (Naidu, Rodrik & Zucman, 2019). Power seems back in economics. But back from where?

Power was a fundamental concept of 20th century social sciences. In political science (Dahl and Lindblom 1953), sociology (Weber 1978 [1921], Bourdieu 1976), philosophy (Foucault 1982) or among works at the crossroads of these disciplines (Berle 1969, Jouvenel 1945, Russel 1938), the concept of power, in its generic sense as well as its many variations (authority, domination, influence, etc.), occupied a preeminent place. At first glance, economics seems to be an exception, particularly following the emergence and then domination of the neoclassical paradigm, between the 1890s and the 1970s. The concept of power has never completely disappeared from the discipline with the transition from "political economy" to "economics" (Backhouse & Medema 2009). But there is a consensus on the idea that the "marginalist revolution"[3] (De Vroey 1975) and then the "formalist revolution" (Perroux 1950, Ward 1972) greatly

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3 Ironically, two of the main promoters of the use of the concept of power in economics are essentially recognized for their contributions to marginalist analysis: Friedrich von Wieser (1926) and Maffeo Pantaleoni (1898)

contributed to excluding power from economics' frame of analysis. The gradual hegemony acquired by the neoclassical synthesis between the 1940s and the 1970s (Morgan & Rutherford 1998) is indeed considered synonymous with the exclusion of power from economic science (Palermo 2014, Ozanne 2016, Kurz 2018). Since the 1970s, the increasing interest in institutions throughout the whole discipline, the renewed importance of empirical and applied studies (Backhouse & Cherrier 2017), and the balkanization of research programs make it more difficult to identify a unified mainstream (Davis 2006). Adding to this the growing interdisciplinarity of economics since the 1990s (Truc & al 2023), an overall judgment on the presence of the concept of power in contemporary economics is difficult to claim.

Despite these observations, contemporary research in economics remains largely based on theoretical paradigms that stabilized during the 1940s to 1970s, that is to say the three decades considered as a theoretical parenthesis in the history of 20th century economics. And in the three main identifiable paradigms, namely neoclassical economics, Marxist/radical economics and (historical) institutional economics,[4] power is actually very present, as in other social sciences. The aim of this paper is therefore to propose a rational reconstruction of the place of power in these three major paradigms in order to develop a systematic comparison of their analytical implications relating to two usual objects of economics: the market and the firm. This synthesis enables, despite the diversity of these paradigms, to better account for their divergences and convergences. The way economists deal with the concept of power largely determines the nature and scope of their (pattern) models. The use of the concept of power even demarcates the "dominant" paradigm from "dissident" ones (Rothschild 2002, 441). Consequently, power is a fundamental variable in epistemological controversies between economists, but also between economists and scholars from the other social sciences.

Both through its objective and the means it uses to achieve them, this article intends to contribute to a literature located at the intersection of epistemology, economic philosophy, the history of economic thought and the economics of institutions. Numerous works have already made two-by-two comparisons of neoclassical and Marxist paradigms (Spencer 2000, Palermo 2007), institutionalist and neoclassical paradigms (Yonay 1998, Rutherford 2011, Chirat 2022a), and Marxism and institutionalism (Edgell and Townshend 1993, Dugger and Sherman 1994, Hodgson 1995). Our approach intends to systematize this comparative study through the prism of the concept of power by considering these three paradigms, following the pioneering attempt of Herbert Gintis (1972), who however mainly focused on the concept of consumer and worker sovereignty, rather than economic power *per se*.

To achieve our ambition, we proceed in four steps. Section 1 provides a typology to classify the variety of power relations. Sections 2 offers an analytic reconstruction of how power is embedded in the neoclassical, marxist and institutionalist paradigms.

4 For a justification of the expression historical institutional economics, rather than "old" or "original" institutional economics, see Hédoin (2012) and Chirat (2022a). The label encompasses the various branches of the institutionalist movement in America (Rutherford 2011), on which we focus, but also other groups (German Historical School, French post-war institutionalists) or individual figures (e.g., Hirschman, Myrdal).

Section 3 covers the main controversies between these three paradigms while Section 4 deals with the interaction between them from the 1960s onwards.

1. A Typology

A variety of conceptions of power have been defended in the history of social sciences. One tradition understands power as a personal and explicit relationship. Its inaugural moment is probably Max Weber's definition of "domination" (*Herrschaft*) as "the probability that a command with a given specific content will be obeyed by a given group of persons" (Weber 1978 [1921]:53), which inspired Robert Dahl's famous definition — "A has power over B to the extent that he can get B to do something that B would not otherwise do" (Dahl 1957). However, Dahl's theory has given rise to much debate in political science, leading Bachrach and Baratz (1962) and then Lukes (2021 [1974]) to broaden the notion of power to include its implicit dimensions such as agenda-setting and influence over preferences.

But the spectrum of possible notions of power is even broader. Indeed, another tradition has focused on impersonal or structural power, which is at the heart of Pierre Bourdieu (1976)'s sociology. Maybe the most radical account of impersonal power is found in Foucault's philosophy and his claim that "power is not to be taken to be a phenomenon of one individual's consolidated and homogeneous domination over others, or that of one group or class over others [since] individuals are always in the position of simultaneously undergoing and exercising this power" (Foucault 1980 [1976]:98), rejecting the partition of society between those who have power and those who are subject to it as well as the focus on power as a restriction, and emphasizing how knowledge itself is indissociable from power.

Hence it would be ill-advised to start our historical inquiry about power with a pre-established definition, which would amount to take sides in this longstanding conceptual debate. Instead, we aim to draw on texts from the different paradigms in economics in order to identify the concept of power specific to each of them. We therefore need to begin from the most general understanding of power, in order to explain how it is specified in each paradigm. To do this, we start with the consensual dimension of power as a social constraint. If the preferences, interests, and beliefs of an agent or group do not fully determine the objects they are concerned with, and if this constraint is social (rather than physical or natural), then we can say that a power relationship is exercised over this agent or group. As we shall see below, the abstract formulation of this definition makes it possible to include not only explicit, personal and unilateral forms of power, but also implicit, impersonal and multilateral forms of power.

Moreover, we are not interested in all forms of social power. To run a precise comparison between paradigms, we restrict the scope of our reconstruction to *economic power within a capitalist market economy*. This implies leaving aside all forms of power in other types of social relations, such as power within the family or State power. Both the family and the State are, to some, economic institutions in their own right. But the economic paradigms we study have largely tended either to ignore them, or to theorize them separately, at least until the sixties, insofar as they bring distinct mechanisms into play. We also partly leave aside the question of ideological power, i.e., the way in which individuals, groups or classes modify the preferences, attitudes and sense of legitimacy of other agents: in particular, the question of consent to the existing order, of course central to sociologists and political scientists, can be analytically separated from economic power (Mau 2021). On the contrary, analyzing economic power requires one to take into account one particular form of power exercised over the preferences of individuals, when considered as consumers. Indeed, we shall explain that the concept of consumer sovereignty is at the core of neoclassical conception of power in economics as well as the challenges addressed by institutional and marxist economists.

To sum up, we are interested in the economic constraints weighing on the actors of a capitalist market economy, as a result of the social relations internal to that economy. To compare with precision the specific conception of economic power in each paradigm, we propose a typology. In so doing, we are indebted to distinctions that exist in the literature, notably around the personal/impersonal dichotomy, but we have also felt the need to elaborate our own classification to capture the variety of nuances to be found in economic thought. Instead of a single criterion, we therefore classify the various power relationships studied by the three main paradigms of 20th century economic thought according to three intersecting criteria: power can be (1) explicit or implicit; (2) personal or impersonal, and (3) unilateral or multilateral.

(1) A power relation of an agent over another is characterized as explicit when one agent explicitly prescribes or restricts the behaviour of the other. This typically occurs through oral or written orders. Implicit power relationships, in contrast, work with incentives or influence. Power is then mute or silent rather than claimed. For example, a creditor demanding repayment from a firm is exerting explicit power. On the contrary, a government that depends on financial markets to fund its budget and implements policies in the hope to please investors is implicitly constrained by its actual or potential bond holders, without receiving any explicit instructions from them.

(2) A power relation is characterized as personal when power is exercised by one identifiable individual or entity on another individual or group. On the contrary, power is considered as impersonal as soon as an individual experiences a direction of or a constraint on her behavior that does not emanate from an identifiable individual or group of individuals that deliberately target her as a person. Historical forms of advertising provide a good illustration of this distinction. While mass advertising that emerged at the end of the 19th century was rather impersonal, 21st century digital behavioral advertising is increasingly personal. Indeed, advertisers target specific persons rather than the "masses".

(3) A power relation is characterized as unilateral when only one agent or entity has power over another. It is bilateral if both parties to a bivalent relation have some degree of power, as in a bargaining relationship. And it is multilateral if there exists some form of power equilibrium among a multitude of agents. Of course, a bilateral or multilateral power relationship does not imply the absence of power asymmetry between the agents involved. For instance, the employer-employee relationship, often described as unilateral during the 19th century entrepreneurial capitalism, became more bilateral but not symmetric with the rise of trade unions in industrialised countries in the following century. A power relation is said to be multilateral as long as every individual or groups of individuals involved in the relation can exert some direction or restriction over others' behavior and choice.

These three criteria being thus defined, it is worth observing that, by definition, an impersonal power relation can never be explicit. First, a unilateral explicit power necessarily refers to a constraint or a restraint an organism exercises on others that are clearly identifiable (since receiving orders). Second, explicit bilateral or multilateral power can not be impersonal too since they require the mutual recognition of others' oral or written orders. To account for the general relevance of our three criteria, and before focusing on economic power relationship and their interpretations in different paradigms in the next section, we provide an illustrative application of our typology to (geo)political issues in the table below.

Table 1 : Forms of power: application to geopolitics

		Unilateral	Bilateral	Multilateral
Explicit	Personal	Power of the federal government over states/regions in a Federation, like the power of US federal government over States of the Union	The treaty between two states prescribing their respective behaviour , like the 1972 ABM treaty between the US and the USSR	A multilateral agreement, like the 2015 Paris Agreement
	Impersonal			
Implicit	Personal	A weak state constrained to please a powerful one in order to be protected (or not attacked) by it.	Two states exert mutual self-restraint to avoid a conflict, like the US and the USSR during the Cold War's 'détente'.	Relationship within a *de facto* geopolitical coalition
	Impersonal	Technological dependency of the "global South" to the "global North".	Reciprocal trade dependency between the "global South" and "global North".	The constraint for a sovereign country to develop its military power because its neighbors did.

2. Power in economics : three paradigms

In this section, we provide a rational reconstruction of the concept of power in the three paradigms. The aim is twofold. First, this reconstruction emphasizes how the concept of power emerges *from the inside* of each of these paradigms. Second, we reformulate the main claim of each in the terms of our typology, in order to be able to carry out a comparative analysis devoted to the controversies (section 3) and interactions (section 4) between the paradigms on the theoretical analysis of the market and the firm.

2.1 Power in the neoclassical paradigm

The neoclassical tradition has often been criticized for ignoring or concealing power relations in the market society. We do not outright oppose this claim: it is true that neoclassical economics tended to overlook various forms of power studied by either Marxist or institutionalist economists.[5] However, it would be erroneous to conclude that there is no neoclassical conception of economic power. The neoclassical conception of economic power is indeed organized around three core concepts: monopoly power, competitive discipline and consumer sovereignty.

Before the 1930s, the concept of economic power in neoclassical economics was essentially related to the case of a monopoly (or duopoly), when the firm acted as a *price maker*. Economic power is synonymous with the capacity of a firm to discretionary set its prices, quantities, product types, investment strategies, etc. The neoclassical modern theorization of market power dates back to Edward Chamberlin (1933), who defined monopoly power as control over supply, and Joan Robinson (1933)'s classics.[6] From then on, neoclassical economists no longer reasoned from the polar cases of pure competition and monopoly (or duopoly), but considered a continuum between these two situations. The following year, Abba Lerner (1934b) proposed measuring monopoly power by the gap between price and marginal cost.[7] Although the terms "market power" and "monopoly power" have been omnipresent in neoclassical studies since then, in particular in industrial organization, these concepts are rarely considered in light of a theory of power. Instead, they are conventionally presented as a welfare loss from the theoretical benchmark of perfect competition. For instance, Lerner's index was built as an indicator of the welfare gap between the monopoly situation and the optimal competitive situation. Although we refer to monopoly power, it has been clear, at least since Robinson (1933), that a similar theory applies to market power on the demand side (monopsony power), in particular to characterize employers' power in frictional labor markets.

In the neoclassical paradigm, the logical counterpart of the concept of monopoly power is the notion of *competitive discipline*, that refers to mutual containment among a multitude of agents in competition. The extreme case of such a discipline is the *price taking* hypothesis of perfectly competitive models. From an historical standpoint, this idea antedates the emergence of neoclassical economics and is present in

5 Alfred Marshall might be the main exception, since he develop a neoclassical theory of the firm to study the allocation of resources but also an institutionalist theory of the large corporations (Kerstenetzky 2010)
6 On Chamberlin relationship to neoclassical and institutionalist economics, see Peterson (1979).
7 Elzinga and Mills (2011), who trace the history of the Lerner index, note that John M. Clark already used the term "monopoly power" in the same sense in the 1920s.

other traditions. It already appears in 19th century french liberal economics (Courcelle-Seneuil 1857 [1855]:227) as well as the Austrian school (Hayek 1944) and German ordoliberals (Eucken 1950 [1939]:199)[8]. In the neoclassical corpus, the expressions of "competitive discipline", "discipline of competition" and "market discipline" are not technical concepts formally defined, but they appear in leading economic journals already in the 1940s and 50s and become more widespread in the next decades[9], with Ewald Grether (1963) speaking of "impersonal market allocation and discipline". In the 1970s, Bela Balassa (1970) describes market reforms in socialist countries as "replacement of administrative directives by market discipline"; William Baumol describe stock market financing of investments as "the strictest form of market discipline" (Baumol et al. 1970, pioneering a frequent use of the term in the finance literature); while another economist argues that "competitive discipline could be maintained by exposing [domestic] firms to increased competition from abroad" (Globerman 1975).

A noteworthy use of the term is in Solow's presidential address for the American Economic Association, where he says that after "listen[ing] for a minute to John Kenneth Galbraith", "all I can think of are *the discipline of competition*, the large number of substitutes for any commodity, (...)" (Solow 1980, p. 2).[10] Thus speaking, Solow, as one of the main representatives of the post-war neoclassical synthesis (Romani 2018), claims that the discipline of competition is one the main concepts that distinguish neoclassical from institutional economics.

To sum up, monopoly power is an *explicit, unilateral, and personal* form of power, while competitive discipline is an *implicit, multilateral, and impersonal* form of power. It is not one agent imposing a price on another. It is the market, i.e., the very interaction of all agents in competition, consistently with methodological individualism (Hodgson 2007), that imposes the equilibrium price on all. If we set aside monopoly power, which has long been considered as a deviation from a fully realized market society, the only form of power recognized by neoclassical economists would be competitive discipline, which is described as an impersonal constraint rather than a power relationship with an identifiable direction. One is then tempted to revert to the traditional verdict of various "heterodox" economists who argue that the neoclassical tradition rejects the idea of inherent power relationships in the market economy.

But a last element is still missing in this picture of the neoclassical paradigm. If neoclassical economics asserted that perfect competition eliminates power over production because of competitive discipline, neoclassical theory would be either tautological or meaningless. Indeed, it would no longer be able to explain which agents determine what is produced and in what quantities, i.e., the actual allocation of resources within a capitalist market economy. This is the reason why another concept comes into play, at the heart of neoclassical thought, albeit appearing *prima facie* on its fringes: consumer sovereignty (Penz 1987, Persky 1993). The idea is simple: when the market power of producers is eliminated by competitive discipline, consumers are able to exert power over production, which then reflects their preferences. Consumer sovereignty is not explicit power. It is not articulated in commands since individual orders are aggregated and mediated through the market (or the Walrasian auctioneer). It is not personal since it does not come from a particular consumer to a particular firm but

8 On power within the Ordoliberal tradition, see Fèvre (2021).
9 See Simons (1944), Grammp (1944), Lowell Harris (1954), Comanor Wilson (1967)
10 Our emphasis.

from all consumers to all firms. However, it is unilateral since it operates in one direction, namely from consumers to producers. Consumer sovereignty is an *implicit, impersonal, and unilateral constraint* exerted by consumers over producers. In the absence of personal monopoly power, it is claimed consumers are sovereign in the sense that their preferences determine all prices and quantities allocated, under no social constraint, only that of available resources and technology.

2.2. Power in the Marxist paradigm

The Marxist conception of economic power unfolds on two main levels: hierarchical power within the company and wage dependency in the labor market. The former is labeled by Marx as workplace capitalist "despotism" (Marx 1976b [1867], p. 450). From our typology perspective, this constitutes *explicit* power because hierarchical relations are stipulated in the company's rules and instantiated in orders from superiors to subordinates. It is *unilateral* as it operates vertically from capitalists to managers, then from managers to workers. It is *personal* since hierarchical power is exercised by individuals over individuals. Marx criticizes Adam Smith for not acknowledging this hierarchy in the theory of the division of labor; According to Marx, Smith conflates two distinct forms of division of labor: the hierarchical and despotic one within the workshop, distinct from the division of labor in society through horizontal market exchanges (Marx 1976b [1867], p. 470-480)[11]. A long tradition of Marxist scholarship has taken on that issue. The question was particularly acute in Western societies, in particular in the United States in the 1970s (Tinel 2013, Chirat 2020b). Among the economists, the radical Stephen Marglin, in his famous "What do bosses do?" (Marglin 1974, 1975), sought to show that the displacement of putting out networks by hierarchical workplaces was not the result of intrinsic technical superiority but a strategy of the capitalists to control labor. The sociologist Harry Braverman (1974) also interprets the Taylorist rationalization of work and its deskilling in the light of Marxist concepts.

The second level refers to the dependence on monetary income that leaves proletarians, i.e. individuals who do not possess a pre-existing stock of means of production and subsistence, with no choice but to sell their labor power to a capitalist. The theory is simple: the proletarian has no option for survival other than entering into a wage relationship, thus submitting to the above mentioned "factory despotism". This idea, that the contractual freedom of workers under capitalism is merely illusory, i.e., formal freedom only, was already present in 19th-century socialism (e.g. Bakunin 1971 [1866], p. 90). Marx also drew inspiration from a pamphlet by Joseph Townsend, a conservative Protestant minister from the 18th century who advocated the abolition of the Poor Laws to force the British poors to seek employment (Townsend 1822 [1786], p. 15-16). Regarding the wage contract, Marx explicitly claimed that "when the transaction was concluded, it was discovered that [the worker] was no 'free agent', that the period of time for which he is free to sell his labour-power is the period of time for which he is forced to sell it." (Marx 1976b [1867]:415). Contrary to hierarchical power

11 More precisely, Marx considers that production, as a social activity, requires coordination as well as agents exercising the functions of direction and control within the workplace. But it is because these functions are capitalist within the factory, meaning they aim for the extraction of surplus value, that they tend to be exercised in a "despotic" manner. In other words, Marx endorses the idea that there can be coordination in the production process without *despotic* hierarchical control – this is the stake of transitioning to socialism – but he rejects the idea that there can be coordination without hierarchical control *per se* (Chirat 2020b).

within the company, the wage dependency is a form of power that is *unilateral* but neither explicit nor personal. As Marx states in an early economic writing:

> "The worker leaves the capitalist, to whom he has sold himself, as often as he chooses (...). But the worker, whose only source of income is the sale of his labour-power, cannot leave *the whole class of buyers, i.e., the capitalist class*, unless he gives up his own existence. He does not belong to this or that capitalist, but to the *capitalist class*." (Marx 1976a [1848]:20)

This idea finds a prominent place in 20th-century Marxist political economy textbooks, such as Rosa Luxemburg's (2014 [1913], p. 261, 273), or in Soviet works. In the Russian context, authors could use the contrast between wage labour and recently abolished serfdom, precisely to illustrate the difference between impersonal and personal power over workers (Bukharin & Preobrazhensky, 1922 [1919], p. 29-30, and later Institute of Economics, 1957). Beyond textbooks, the theme of impersonal wage dependency is recurrent in various strands of marxist economics. Reconstructing Marx's contribution to the history of political economy, Maurice Dobb emphasizes the theory of the substitution of the "legal coercion to work for another" by "the coercion of class circumstances" (Dobb 1937, p. 61-62). The same vision recurs in his work as an economic historian, where he interprets the emergence of wage labor as "the growing dependence of labor on capital" (Dobb 1946, p. 259, see also p. 87 and 254). From Paul Sweezy (1942, p. 39) to economic historian Robert Brenner[12], the same contrast is used to illustrate how the market system acts as a "veil" of impersonal power relations. At the end of our focus period, another Western marxist economist, Ernest Mandel, would indeed use precisely this example of an impersonal constraint to emphasize the incompatibility of marxist theory with methodological individualism, against the analytical marxists's research program (Mandel 1989).

2.3. Power in the institutionalist paradigm

The institutionalist paradigm is at first sight harder to reconstruct and less amenable to systematization, compared to neoclassical and marxist ones, because of the heterogeneity between national institutionalist traditions, and even within the American institutionalist movement (Rutherford 2011). Despite such heterogeneity, we claim that the concept of power always plays a crucial, rather than residual, analytical role in institutionalist "pattern models" (Harrisson & Wilber 1978). This is so because institutionalist economists aim at studying institutional dynamics, in a theoretical framework in which institutions are considered as a major factor allocating power in a given society (Petr 1984, 1988; Klein 1987; Stanfield & Wrenn 2005). For instance, in the two main traditions of the Institutionalist Movement in America, namely the "Wisconsin school" (gathered around R. T. Ely and J.R. Commons) and the Veblenian tradition (behind A. A. Berle, J.M. Clark, J.K. Galbraith and G.C. Means), the issue of bargaining power both on markets between organizations and within organizations between various interest groups is always investigated. And their heirs would emphasize that the "New Institutional Economics" *à la* Williamson neglects power, contrary

12 Brenner emphasizes the contrast between situations "where the direct application of force is the condition for ruling-class surplus extraction" with "capitalist social relations where the separation of the exploiters and direct producers from the means of subsistence enforces the use of surplus for accumulation and innovation to make possible survival and reproduction" (Brenner 1977, p. 37) – note the use of the word "enforcement" to denote an impersonal constraint.

to “Original Institutional Economics”, despite integrating the concept of institutions within the neoclassical framework (Dugger 1990).

On the positive hand, we claim that power lies at the heart of the analysis of both firms and markets in institutional economics. As neoclassical economics, it focuses on the issue of market power, defined as “capitalist sabotage” by Veblen (1904), in particular through the analysis of trusts’ and large corporations’ behaviors (Ely 1900, Veblen 1923, Berle & Means 1932, Galbraith 1967, Eichner 1976) and market structures (Clark 1940, Galbraith 1952, Hamilton 1957). The main difference with neoclassical economics is that the “market power” of the corporation is not reduced to its capacity to generate private welfare gains thanks to an explicit, personal and unilateral form of power. Market power is a subtype of the more general power of corporations to shape their environments and to control its variables in order to cope with market uncertainty. That is the reason why the power of corporations is always studied through its strategic interactions with not only competitors or consumers, but also with unions, regulatory agencies, federal government, financial actors and the scientific estate. In other words, institutionalists focus on equilibria between various individual agents or organizations, which has three consequences in light of our typology. First, institutional economics often puts the emphasis on bilateral or multilateral power relationships, that can be symmetric or not. Second, the distinction between explicit and implicit power is somewhat embedded in the distinction between *de jure* power and *de facto* power that frame institutionalist reasoning in the 20th century.[13] Third, both personal and impersonal economic powers are considered.

To illustrate the specificity of the concept of power in institutional economics, a focus on the labor market is worth (Woodbury 1988, Kaufman 2003). Richard T. Ely, as a leading figure of the first generation of American institutionalism, claimed that the labor relationship is asymmetric because of market imperfections, authoritarianism within the firm and economic insecurity of laborers (Lallement 2005). The first point echoes the neoclassical concept of market power while the last two points echoes the marxist analysis of capitalist despotism on the one hand and wage dependency on the other. Their position in relation to the theory of remuneration of factors at their marginal productivity enables us to understand the gap with neoclassical economics. They stress the importance of institutional factors (unions, collective bargaining rules, state regulations), that is to say bilateral power relationships, in determining wage levels. Whereas several neoclassical economists, in line with Böhm-Bawerk’s (1914) marginalism, consider that the influence of such factors is residual and exercised within the framework set by the universal law of supply and demand, historical institutionalists consider that power relations determine the upper and lower levels of wage, the influence of the relationship between supply and demand then being influential (Benz 1981, 317). At the most general level, and particularly applied to labor markets, the main concept of institutional economics is that of bargaining power (Commons 1931, Clark 1951) or “countervailing power” (Galbraith 1952). It emphasizes the idea that countervailing forces are likely to emerge to balance an original power, which is generally assumed to be that of big business. Hence, their emphasis on bilateral power.

This positive account of power relation is directly related to institutionalist normative economics. Its guiding principle, insofar as institutionalists are liberal rather

13 Nowadays, this distinction is also used in political economy. See for instance Acemoglu & Robinson (2006).

than radical (Stanfield 1991), is the equilibrium of power between economic organisms. If they advocate a balance of power, it is because they believe that the consequences of overly asymmetrical power relations, in economic terms as well as in other fields, are likely to conflict with liberal and democratic values. Hence their enthusiasm toward the Rooseveltian idea of finding equilibrium between Big Business and Big Labor, and then Big Government. Hence their defense of political institutions beyond competitive discipline enabling to generate cooperation between social classes endowed with balanced bargaining power, allowing to overcome the domination of capitalists as theorized by Marxists. How to find a power equilibrium between various agents or entities such as bankers, capitalists, managers, various segments of workers, unions, and regulators ? The answers have always been context-dependent within the institutionalist paradigm. But the mere framing of the question is sufficient to argue that contrary to neoclassical or marxist paradigms, institutionalist economics has not tried to develop a universal theory of power relations applicable to any market, firm, or capitalist society. It rather emphasizes how various institutional settings affect the balance of power between economic actors.

3. Controversies

3.1. Labor market and labor process

One of the best illustrations of the neoclassical notion of competitive discipline is to be found under the pen of Knut Wicksell, when he claims that under perfect competition, "the landowner is not less dependent on labour than labour on him" (Wicksell (1934) [1901], p. 109). This claim was endorsed by later neoclassical economists, notably by Paul Samuelson: "in a perfectly competitive market it really doesn't matter who hires whom: so have labor hire 'capital'." (Samuelson 1957 p. 894). In other words, it means that labor markets in a competitive economy are free from unilateral power relationships in a neoclassical understanding since they are the locus of multilateral power relations that are perfectly symmetrical.

Of course, the neoclassical view also acknowledges deviations from the perfectly competitive baseline. During a conference on *The impact of the Unions* (McCord Wright 1951), in which he put forward the emergence of "neoclassical analysis" as a new theoretical synthesis, Samuelson's explicitly comments on the bargaining theory of wage, largely endorsed by institutional economists, as well as the issue of exploitation, which lies at the heart of Marxian economics. Recognizing that "the term 'exploitation of labor' has, of course, myriad meanings", he then adds that "in recent years some economists have tried to give this concept certain precise and technical meanings representing well-defined deviations from optimum welfare conditions" (Samuelson 1951, 324). In particular, the exploitation of the worker in this "technical meaning" is due to market power of firms either on the goods market or on the labor market (monopsony). Hence we observe that market power on the labor market is also analytically reduced to its welfare consequences. Bargaining power, in the same line, is analyzed in terms of welfare bargaining only.[14]

Let us get back to the analysis of perfect competition. As Bowles et Gintis (1990, 1992) explained, in addition to the explicit assumption of perfect competition, it is the

14 "Collective bargaining is itself a form of warfare. [...] It is power against power. [...] It is a power struggle, a welfare power struggle"(Samuelson 1951, 196).

implicit one of complete contracts and costless enforcement that justifies, at the analytical level, the Wicksell-Samuelson claim. Such a claim has however been one of the targets of radical economics', a movement inspired by socialism, Marxism and institutionalism in the broadest sense (Lee 2004). In particular, two influential articles within this movement had theorized the modern corporation and the centralization of authority that characterizes it: the best known is Stephen Marglin's two-parts article "What do bosses do?" (1974) , which interprets the shift from putting-out to the factory system as a class strategy by capitalists to better dominate workers; the other is Katherine Stone (1974)'s on the abrupt end of the semi-independent status of skilled steelworkers in twentieth-century America. Both articles, and Marglin's in particular, can be seen as attempts to rescue the Marxist thesis of factory despotism from the neoclassical argument on competitive discipline. As mentioned above, under the neoclassical view, when consumer sovereignty operate, the constraints that subsist don't derive from power relationships but from technology. That is the claim that Marglin takes aim at, instead illustrating with various examples from the history of the organization of production "the need of the controlling class to choose technologies that facilitate the exercise of its power" (1974, p. 108). Instead of market discipline imposing the technology that best serves consumers' tastes, under Marglin's account capitalists use their power to choose the technologies that best allow them to control workers – they use their power over resources to increase their power over workers.

3.2. Power of shareholders

But the issue of power within the firm in economics is not reducible to the analytical marxist approach with only "capitalists" and "workers". As a matter of proof, each paradigm has addressed the following question: who controls the firm? And the answer to this first question determines the answer to another fundamental one: what objective does a firm pursue? The answer provided by neoclassical economics is well known. The firm maximizes profits or behaves "as if" it did (Solow 1968). Such hypothesis faced many criticisms from institutionalist economists, and then following the development of managerial and behavioral theories of the firm. The functional justification of the neoclassical firm as a black-box only used as "theoretical link" to study resources allocation on market has not proved sufficient (Machlup 1967). Hence, the necessity to address the question of power relationship within the firm as an organization. Kenneth Arrow endeavored to make explicit the theory of the firm contained within Walrasian general equilibrium theory and claimed that the assumption of profit maximization requires that "conflict of interest between the organization and its management, on the one hand, and the owners on the other, is assumed always to be resolved in favor of the owners" (Arrow 1971, 70). In other words, *the power of shareholders over the goal of the corporation as an organization has to be assumed explicit and unilateral in the neoclassical paradigm.*

If we replace the term "owners", used by Arrow, with that of "capitalists", neoclassical theory of the firm finds here some common grounds with Marxist and Radical theories. The latter indeed tend to reject arguments supporting both the "managerial theories of the firm"[15], in search of an alternative to the profit maximization hypothesis, and more generally the thesis of the "managerial revolution" (Sweezy 1942, Mills

15 Some managerial theories of the firm (e.g., Baumol 1959) are compatible with the neoclassical paradigm, sharing with the neoclassical theory of the firm its analytical function, that is to say a tool to study the allocation of resources (Chirat 2022c).

1956, Kolko 1962, Poulantzas 1972). Yet, these arguments were precisely developed by many institutional economists, which opposed both neoclassical and marxian economists this issue (Berle and Means 1932, Berle 1954, Means 1962, Galbraith 1967). John Kenneth Galbraith points out, the "Marxists", while acknowledging the importance of managers within the corporations, keep believing that "capital retains a power" that is both "functional" and "deep", so that firms continue to seek the greatest possible profit (1967a, 61). There are theoretical disagreements between the two challenger paradigms, based on empirical disagreements about how power relations are established within large corporations in 20th-century capitalist society.

Unlike institutionalist economists, who place decision-making power within a broad group composed of members occupying various functions within the firm,[16] radicals Paul Baran and Paul Sweezy (1966) believe that the "effective management" of the large firm is in the hands of "the board of directors and top executives". Like Galbraith's technostructure (1967), these individuals are autonomous from the shareholders. They seek the "financial independence of the firm". The corporation is the source of, and the basis of the continued power and privilege of wealth". Consequently, Baran and Sweezy criticize neoclassical theory for neglecting this historical transformation and continuing to reason from "an individual entrepreneur who tends to maximize profits" (1966, 16). But they still conclude, contrary to managerial theorists, that the pursuit of maximum profit drives the actions of large corporations. They emphasize that this willingness is not necessarily contradictory to other objectives. This is all the more likely that the development of stock-options during the sixties allows to explain why managers might maximize profits, i.e., express a "neoclassical behavior" (Marris 1964, 72).

From a paper devoted to the stakes of the controversy over shareholder power written by the father of industrial economics at Harvard, namely Edward Mason (1958), we can clearly observe that *the conception power of each paradigm provides the rationale behind the controversies over the theory of the firm and the theory of allocation of resources*. Mason challenges "the apologia of managerialism". He defines "managerialism" as the thesis that managers have taken power within the firm and are driven by some kind of social responsibility, such that the behavior of corporation does not necessarily have the adverse effects that neoclassical theory, afflicted by the market power of large firms impeding the mechanisms of competitive discipline, suggests. Mason presents Berle (1954), Kaysen (1957), Galbraith (1952), and Means (1957) as the main representatives of managerialism. This group of institutionalist economists, he claims, if they wish to provide a serious alternative, must strive to answer the two main questions that neoclassical theory enables to answer.

Firstly, what replaces the assumption of profit maximization? Various answers were provided: maximization of sales, sales volume, firm size, generally under a constraint of profits. No general or a-historical answer on the goal of corporations has been provided by institutionalist economists, since they claim that the result depends on the bargaining power between shareholders, managers and workers. In addition, the development of behavioral theories of the firm will eventually lead to the recogni-

16 Berle and Means called this group "control" in 1932 and Galbraith labeled it "the technostructure" in 1967. On the convergence and divergence on the question of power relationship within the firms between Veblen, Berle, Means and Galbraith, see Rutherford (1992).

tion that an organization has a plurality of goals and that it does not necessarily maximize anything, rationality being bounded (Simon 1962, Cyert and March 1963). Secondly, the emphasis on the market power of large firms leads these authors, according to Mason, to abandon the “doctrine of consumer sovereignty”, but without supplying an alternative. If the consumer is “a monarch obviously on the verge of extinction”, Mason indicates that his "successor remains to be found" (Mason 1958, 7-11). On this challenge to neoclassical economics, the theoretical alternative provided by institutionalists and radicals converge : producers rather than consumers are sovereign.

3.3. Consumer sovereignty

Under the premise of consumer sovereignty, the way goods and services are produced and allocated in a capitalist market economy are (positive view) or should be (normative view) determined by individual preferences expressed through individual choices in a free market (Penz 1987, 5). Consumer sovereignty is indissociable from the view of markets as exchange places where no agent exerts market power. Historically, the principle of consumer sovereignty in a market economy was conceived through the analogy with citizen sovereignty in democracy (Chirat 2022b). It lies at the heart of the great debate on socialism during the interwar.

On this occasion, William Hutt (1936) coined the concept: the consumer is sovereign when exercising “his power to demand” which is defined as the capacity to determine the objectives pursued in a society (Desmarais-Tremblay 2020). Therefore, the term “demand” here refers to the power to determine social goals. The term “supply” consists solely of providing the means to serve these goals. In brief, *consumer sovereignty means that in a competitive market economy, the power of allocating resources is unilaterally, explicitly, and impersonally exerted by consumers over producers*. Although they do not draw the same normative recommendations during the debate on socialism, both neoclassical market socialists (Lange, Lerner) and Austrian economists (Mises, Hayek) endorse the principle of consumer sovereignty, contrary to the Marxist economist Maurice Dobb. Dobb (1933, 1935) asserts that individual preferences are not necessarily the most legitimate criterion for guiding resource allocation, especially as they are shaped by propaganda from corporations and media. In addition to emphasizing this capacity of some agents to influence the formation of others’ preferences, Dobb argued that the power to demand through which consumers express their sovereignty is unevenly distributed in capitalist market economies. Abba Lerner (1934a, 1935) counters that rejecting individual preferences as the basis for the legitimacy of a resource allocation procedure is analogous to rejecting the very basis of the legitimacy of the democratic process, namely citizen sovereignty, and legitimize any forms of paternalism.

Four decades later, Lerner (1972) would maintain this line of defense against radical and institutionalist challenges to the heart of the neoclassical paradigm. It is worth noting that suspicions against the assumption of consumer sovereignty have often been highlighted by economists interested in large corporations, oligopolistic market power and advertising. This is notably the case of Veblen (1923), Chamberlin (1933), Schumpeter (1942), Baran and Sweezy (1966), Galbraith (1967) and Gintis (1969). The criticisms of the 1960s and 1970s inspired by Marx and Veblen emphasize that needs are socially produced, so that studying the influence of corporations on consumers in a capitalist market economy is required. *This is such a form of implicit economic power of organizations, that may be more or less personal, which is lacking* *within the neoclassical framework*. Baran and Sweezy claim for instance that the main purpose of advertising is not reallocating market shares, as neoclassical economists often argue (e.g., Solow 1968), but "to stimulate aggregate demand and incidentally growth and employment" (Baran and Sweezy 1966, 115-121). This argument converges with Galbraith's integral economics (1958, 1967), the main representative of the post-war institutionalist paradigm (Chirat 2022a). To sum up, *institutionalists and radicals, against neoclassical economics, put light on power relations that are impersonal and implicit but unilateral on markets controlled by few corporations*.

Galbraith has coined the opposition between the "classic sequence", conveyed by the principle of consumer sovereignty, and the "reverse sequence", based on the competing assumption of producer sovereignty. In the last resort, the legitimacy attributed to an economic system depends on who gives the orders, either explicitly or implicitly. Hence, *the legitimacy of the economic system depends on the distribution of power within the capitalist market economy*. As it is conceived by "conventional economics", the economic system is always placed under the ultimate authority of the individual. Galbraith emphasizes that this vision is tied to the "political theory which places the citizen, as voter, in ultimate authority over the production of public goods" (1973b, 13). The assumptions of consumer sovereignty, citizen sovereignty, and utility maximization stand as the trinity that underpins a worldview where the society is "comprehensively subordinate to the ultimate power of the individual. "Being in charge", the consumer/citizen "cannot be in conflict with the economic or political system" (Galbraith, 1973b, 13-14). Galbraith criticizes two major flaws in this vision conveyed by the neoclassical paradigm. First, it is no longer a valid description of the functioning of post-war market economies. His alternative view (the reverse sequence) suggests, on the contrary, that the technostructures of private corporations and public administrations set the economic process in motion[17]. *Large organizations exert an implicit impersonal power not only by influencing some individual preferences but also by shaping the whole system of social beliefs*. Second, even if it is granted that the market effectively satisfies consumer preferences, these preferences are neither innate nor his own individual ones. Yet by considering them as given, economists avoid questioning the power relations that govern their formation. They tend, therefore, to look at advertising or propaganda as imperfections of a capitalist market economy or a democracy, whereas they are some of its constitutive features. *While in the neoclassical paradigm, no conflict can arise between private interests and the general interest thanks to competitive discipline, the result differs entirely when one assumes producer sovereignty as radicals and institutionalists do in some specific contexts*.

To highlight the significance of these debates over the theorization of economic power, as well as the difference between radicals and institutionalists, a historical overview is relevant to support our rational reconstruction. As President of the American Economic Association during the "Second Crisis" of economics (Robinson 1972),[18] Galbraith entrusted Robert Solow with organizing a session devoted to the subject. As an "orthodox discussant," Solow considers inviting Gary Becker or Armen Alchian. In return, he wishes for the presence of a "radical." Abba Lerner (1972) finally represents the neoclassical tradition of welfare economics while Herbert Gintis (1972) represents the radical one. *A posteriori*, Bowles and Gintis (2000, 1430) note that in response to

17 For a detailed account of Galbraith's challenge to consumer sovereignty, see Chirat (2020a).

18 At that time, the political critique of the consumer society carried by members of the New Left (but also some of the old one) echoes the analytical critique of the principle of consumer sovereignty (Lindbeck 1971).

the proposal to reintroduce power into economics, Lerner stated that economists should only be concerned with "the mechanisms for getting people what they want, no matter how these wants were acquired," adding that "economics has gained the title of queen of the social sciences by choosing solved political problems as its domain". (Lerner, 1972, 258-259). In this 1972 speech, Herbert Gintis precisely distinguishes three paradigms – labeled "neoclassical," "radical," and "Galbraithian" - which converge with our reconstruction. Interestingly, and although sharing some of the institutionalist arguments against neoclassical welfare economics, Gintis strives to underline the uniqueness of Marx-inspired critique: "Radical theorists hold that social decay is a normal result of the development of capitalism and cannot be reduced to the irrationalities of consumer preferences [neoclassical paradigm] or the autonomous and socially irresponsible exercise of power by controllers of production [institutionalist view]" (1972, 719). *The fundamental difference is that radical emphasizes the power exercised over workers inside the firm rather than over consumers in markets* : "Radical theory first argues that worker sovereignty does not hold in capitalist society" (1972, 721).

4. Interactions

The debates we have just mentioned show that the three paradigms have often clashed head-on on the subject of power, and they often continue to do so. However, they have also interacted in less antagonistic ways. Towards the end of our period of interest, from the 1970s to the 1990s, the boundaries of the major paradigms were blurring. In particular, the unity of the neoclassical paradigm was giving way increasingly to internal diversity within the mainstream (Davis 2006), and the conception of power within each paradigm partly shifted. We claim that this is partly due to the influence of these paradigms on each other. From the study of these interactions, it appears that the mainstream transformed itself in response to the denial of power of which it has been accused by providing a renewed theory of the firm and an enriched theory of market power.

4.1. The theory of the firm and employment relationship : the defensive transformation of the mainstream

It was in the context of the "second crisis" of economics (Robinson 1972), i.e. radical and institutionalist challenges of neoclassical economics at the end of the sixties, that some economists built a "contractualist" theory of the firm (Baudry and Chassagnon 2014) which came to constitute a part of an "Extended Mainstream Theory" (Favereau 2023). Let us show how this endeavor led to the acknowledgment within mainstream theory of the bilateral power relation between owners and managers, as well as the hierarchy to which workers are subject, without however closing the gap with institutionalist and radical thought.

In their seminal paper, Alchian and Demsetz (1972) claim that the firm "has no power of fiat, no authority, no disciplinary action any different in the slightest degree from ordinary market contracting between any two people" (1972, p. 777). This being asserted, "what then is the content of the presumed power to manage and assign workers to various tasks ?" Their answer is "exactly the same as one little consumer's power to manage and assign his grocer to various tasks." (ibid.). As a consequence, the power of the employer is considered as analogous to the power of the consumer in the neoclassical paradigm hinging on "consumer sovereignty"[19]. The main asymmetry between capital and labor that they point to is that one employer contracts with many workers; apart from that, the contractual relation is symmetric, providing a form of weakened version of the Wicksell-Samuelson thesis. As shown by Gindis (2020), Jensen and Meckling (1976)'s agency theory of the owner-manager relationship can be interpreted in the same way. Indeed, it was written as an intervention in the US debate of the time on the need to harness the power of large corporations for social purposes, a debate where institutionalist and radical economists played an active role. Conceptualizing the firm as a "legal fiction" supporting a "nexus of contracts" was a way to dismiss the question.

As shown by the very name of "new institutional economics" that he coined (Williamson 1975), Williamson's transaction cost economics were also heavily inspired by non-neoclassical paradigms, but it also preserved some core neoclassical insights. This is true about power in particular (Baudry et Chassagnon 2019), as apparent for instance in *The Economic Institutions of Capitalism* (1985). On the one hand, in contrast to Alchian and Demsetz, the book gives center stage to the notions of hierarchy and authority as features of the firm. On the other hand, it does not use the concept of "power". Williamson opposes the "domination theory" (ascribed to the business history of Porter & Livesay 1971), according to which "the reason why one mode [of organization] is chosen over another is that it permits those who are in control to extend and perfect their power" (Williamson 1985, p. 124). He also challenges the radical account of hierarchy by Stephen Marglin (1974) and Katherine Stone (1974)[20], according to which "hierarchy operates in the service of power" (Williamson 1985, p. 207). The organizational forms that these authors portray as resulting from power struggles are best explained, he argues, by an efficiency superiority based on transaction cost economizing, so that "power is relegated to a secondary role" (ibid: p. 125). So, it could be said that under the name of hierarchy, Williamson integrates into mainstream theory the personal and explicit power within the firm as an *explanandum*, while at the same time rejecting the broader non-neoclassical notion of power as an *explanans* of the evolution of organizational forms.[21]

A similar pattern can be found in the history of efficiency wage models according to which the costly observation of workers' effort leads to the emergence of equilibrium unemployment, making firing a credible threat toward workers. On the one hand, it was developed by Samuel Bowles (1985), one of the leading figures of radical economics. He presents the model as a "marxian" one and has the conceptualization of the power of capital over workers as one of its main aims. The other and better-known source of the efficiency wage model is Shapiro & Stiglitz (1984), two leading figures from the renewed theoretical mainstream. Their paper famously describes equilibrium unemployment as a "worker discipline device" but the word "power" does not appear.

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19 On the link between such theory of the firm and the neoliberal answer to radical politics, see also Tinel (2004) and Chamayou (2018).

20 Williamson also refers to Bowles and Gintis, Harry Braverman and to Marx himself.

21 The heirs of historical institutionalism would precisely challenge Williamson's account of the concept of power (Dugger 1990) and radicals would emphasis "the continuity with traditional neoclassical economics [that] has allowed the new models to be assimilated into the discipline with minor resistance" (Bowles and Gintis 1993, 84).

This difference in interpretation comes to the fore in papers from Bowles and Gintis, Williamson and Stiglitz in the 1993 Winter issue of the *Journal of Economic Perspectives* that reflect on the renewal of neoclassical economics to take into account information and enforcement constraints. According to Bowles & Gintis (1993), one of the main implications is the acknowledgement of the role of power, in particular in labor and financial markets, so that "mechanisms designed to enforce claims through monitoring and sanctioning are political structures in the everyday sense that they govern the exercise of power" (1993, p. 88). Williamson, while granting many arguments to Bowles and Gintis, argues that "the power hypothesis is typically vague and often reduces to an *ex-post* rationalization" so that power should remain an "auxiliary hypothesis", efficiency analysis remaining the key variable of institutional change (1993, p. 106-107). On the other hand, Joseph Stiglitz (1993) recognizes the relevance of many radical insights on contract enforcement, but defends that they are better understood as special cases of his own post-Walrasian paradigm, i.e., "information economics". He is reluctant to use the concept of power, "whatever that much-used term means", claiming that "mainstream economists have [...] found concepts like exploitation and power to be useless in explaining economic phenomena" (p. 111-112). In sum, as Williamson, he was actively working to account for specific notions such as discipline at work or "hierarchy" (Stiglitz & Sah 1986), while refusing to acknowledge power itself as an economic concept, on the premise that it is not a useful *explanans*.

These were not, however, the last words of the extended mainstream on power within the firm. In the same years, Grossmann & Hart (1986) and Hart & Moore (1990) opened the way for the property rights approach. In contexts of contractual incompleteness, Hart argues, property represents a form of power that he insists is distinct from market power, and has been unduly neglected by Williamson's transaction cost approach (Hart 1995, p. 4-5). In the same spirit, Hart rejects Alchian and Demsetz' paradoxical claim about the power symmetry through the proposition that "control over nonhuman assets leads to control over human assets" (*ibid.*, p. 58), and notes how this focus on power makes his approach germane to Marx' *Capital* (*ibid.*, p. 5)[22].

4.2. Industrial organization

In the twilight of the period we are studying, the theory of industrial organization underwent major changes: while the invention of game theory had not led to sustained applications in economics in the two decades after the end of the war (Dimand 2000), it then came to change and in no subfield was the conversion faster and more exhaustive than in industrial organization during the 1980s, in particular under the impetus of three young economists who defended their PhD theses at MIT in 1981, Drew Fudenberg, Carl Shapiro and Jean Tirole. By the end of the decade, they were already publishing summaries of their results, such as Tirole (1988)'s textbook or Shapiro (1989)'s survey[23]. The history of this theoretical blossoming is out of the scope

22 On asset ownership as a basis for power over workers, see also Holmstrom (1999). On the partial affinity between the property rights approach and Marx' vision of the power of capital, see Holmstrom (2016) and Bowles (2018).

23 Not being aware of any paper in the history of economic thought focusing on this development, we rely mainly the retrospective papers published on the occasion of the award of the Nobel prize to Tirole in 2014 such as the Scientific Background Report by the Economic Sciences Prize Committee of the Royal Swedish Academy of Sciences (2014), Encaoua (2015) and Fudenberg (2015). According to them, the basis for the game-theoretic renewal of IO theory was on one side the lack of a common framework

of this paper, but we would like to consider the shift it implies for the concept of market power at the core of neoclassical economics.

In their writings at the time, as in their retrospective writings, economists working in IO neither motivate their research by a challenge posed by institutionalists, nor by a conceptual reappraising of power. Indeed, Tirole can bluntly state in his textbook that "an economist's definition of market power" is "pricing above marginal cost" (1988, p. 284), consistently with his preservation of a welfare maximization framework. However, we claim that the detail of the models they develop implicitly reveals a richer conception of market power, as two examples can show. First, the "folk theorem" in repeated games (Friedman 1971, Fudenberg & Maskin 1986) showed the possibility of a tacit collusive oligopoly equilibrium, an issue already at the heart of the emergence of IO at Harvard and the controversy between Harvard and Chicago economists (Chirat & Guicherd 2022). In terms of our typology, this family of models is interesting because it can be distinguished from the traditional monopoly model insofar as it features both impersonal, unilateral power from the oligopolists onto their consumers, but also a kind of multilateral, implicit power between the firms themselves that is not competitive discipline, but on the contrary, a mutual discipline enforced by "a potential sequence of successfully higher-order punishments" (Tirole 1988, 26).

A second notable example is the study, pioneered by Dixit (1980) and Fudenberg & Tirole (1984), of strategic investments by an incumbent monopolist in order to deter entry from a potential competitor. Again, although the goal of the authors here was clearly not a renewal of the concept of power, the type of power relations they formalize is rather original in neoclassical thought, since deterrence is a kind of personal power based on an implicit threat. Thus, while the persistent critiques against the conception of market power in the neoclassical paradigm may have played a limited direct role in the emergence of a game-theoretic IO, it seems fair to say that one of its key contributions and reasons of its success was the formal description of more subtle strategic power relations among oligopolists than was the case in the monopoly model – precisely the kind of power relations that the institutionalists had long emphasized.

Conclusion

Debates on how to conceptualize economic power and the role it should play in economic models have spanned economics throughout the 20th century and reveal fractures between paradigms. From the debate on a socialist economy in the 1930s to the debate on post-Walrasian theory in the 1990s, through the second crisis of the discipline at the end pf the 1960s, we demonstrate that the same lines of tension can be found, albeit under new models or within amended theoretical frameworks, concerning the conceptualization of economic power.

in the ongoing debate between the Harvard and the Chicago schools, and on the other side Selten (1975)'s definition of subgame perfect equilibrium which opened the way for the game-theoretic study of dynamic strategic interactions.

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