

Political Metaphors: Markets or Oligopolies?¹

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When the Greeks and Romans talked about different types of government, they spoke of the rule of the one, the few and the many as well as whether public power was used to advance the good of the ruling element or to serve the good of all. Today, most of us cannot imagine how a government can be legitimate or good unless it rests on the consent of the governed. Even though we disagree what this means precisely and even though some hold that the idea of a common good is diverting and even dangerous,² we generally conclude the major industrial nations of North America and Europe as well as Japan and countless other countries are democracies that, more or less, rest on popular consent and seek to speak to the good of the whole.

Without denying that these regimes can broadly be described as democratic, this paper joins a literature that holds that much that passes for democracy in the late modern world is not. The argument that will be developed later can be briefly summarized with two metaphors: the market and oligopoly. Current liberal-democratic theorizing imagines politics imitating competitive markets where a plurality of voluntary participants bargain with one another to arrive at public policy. I argue that a more realistic metaphor to describe much political practice

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² See, for example, the controversies surrounding the concept of the good in the of John Rawls, *Theory of Justice* (Cambridge: Harvard University Press, 1971) and the works of his critics, such as Michael Sandel, *Liberalism and*

in the late modern era can be found in noncompetitive oligopolies where a few participants make binding decisions. If the metaphor of oligopoly has merit because group politics often fails to meet the test of market activities, then pluralist claims to its fidelity to democratic norms are undermined. I go on to look at the issue sectors that are critical to the pluralist model, and rather than finding them providing a home for public accountability, I see them fragmenting politics and undermining some of the central principles of early theories of democracy, particularly a search for a common good.

Classical Oligarchs

From Aristotle to Machiavelli, we encounter oligarchic models of politics which are presented as the defective form of the rule of the few. For most classical writers, not all rule by the few is necessarily defective: an aristocracy of talent, wisdom, or virtue is said to be committed to the good of all. However, such regimes are thought to be unstable and deteriorate into an oligarchy, the rule of the wealthy few who exercise public power to enhance their own well-being, even at the expense of the rest.

There is a tendency in the classical discussion of pure forms of government to find that the best forms have no inherent self-disciplinary properties and, on this account, the form of government most likely to avoid excess and pursue the common good over time is one which mixes the various elements into a balanced regime. One reason for this optimistic conclusion is that different locations of power are expected to check the excesses of other locations of power.

In many premodern discussions about the different forms of government, including the

the Limits of Justice (New York: Cambridge University Press, 1982).

mixed polity, there is an appreciation that nonpolitical resources can be converted into political power and that wealth is the most troublesome in this regard. Theorists as diverse as Aristotle and Machiavelli can not imagine thinking about politics without thinking about economic distributions and their political consequences. To ignore such issues is to expect self-disciplinary forces to thrive, a position they consider utopian. They also fear that when citizens, regardless of their class, become preoccupied with their material interests, politics become corrupt, sometimes aggressively so and sometimes defensively.³

When we turn to the modern era, the principle of formal equality demolishes the idea that different classes ought to occupy distinct locations in the polity, and the idea of a separation of powers comes to mean something much different than it did in the classical tradition. Accordingly, modern democratic constitutionalism rejects any claim which reserves some places for the few and denies these same few other offices. Rather, modern democratic usage rests on the principle of one vote for each citizen in competitive elections for offices open to all citizens, and this is one of its legitimizing principles.

Have oligarchs really disappeared? Unless one takes a conspiratorial view of contemporary democratic politics, the answer is yes. Pluralists have convincingly demonstrated that some "power elites" do not control the entire regime in the democracies they analyze. But that does not mean that oligarchs have been replaced by a popular element. It is possible that in each of the differentiated policy areas or issue sectors that characterize modern politics, a few participants or groups dominate what happens there. If this is the case, those who exercise power in particular issue areas do not mimic the oligarchs of old who ruled an entire regime;

³ For a discussion of defensive corruption, see Ronald Terchek, *Republican Paradoxes and Liberal Anxieties* (Lanham: Rowman and Littlefield, 1997), chapter 2.

nevertheless, they resemble earlier oligarchs in three important ways in their policy domains: interest groups and not "the public" exercise power; they have no intention of sharing power; and they are ready to use their power for their own good, and not for the good of the whole. Moreover, at best they discipline each other and are seldom disciplined by those outside of their domain.

Political Minimalism

Contemporary liberal democratic theory revolves around competitive elections and interest group bargaining. Taken together, voting and pluralist politics have been offered both as a realistic description of how modern, industrial democracies operate and as a tolerably good model for popular participation in complex, mass, urban society. I will refer to this form of theorizing as political minimalism.

Political minimalists tell us they seek to study the world as it is. In the process, they import parsimonious concepts from other academic disciplines to analyze and explain. This means that politics must be simplified if it is to yield scientific results. On this telling, what is excluded is unimportant to understanding the phenomena under review. In the process, political minimalists expunge certain words from political analysis (such as the common good and selfish) and strip other words of any pejorative meaning (such as interests) because they cloud and complicate analysis.

This can be seen in the use of one of the most elegant and parsimonious models available to minimalists when they study politics, that is, the market. With the model of the market in hand, minimalists organize data, explain behavior, and see whether the phenomena under

analysis meet the test of competition. Indeed, the internal logic of the market model is so energetic, it frequently drives the analysis on its own, as class analysis once did for orthodox Marxists.

In the minimalist literature, we find a devotion to micro-institutional analysis with little attention paid to how these smaller units are related to each other and to the basic institutional arrangements of society. The distaste of minimalists for "grand" theorizing leads to the fragmentation of a cosmological understanding of society and politics. Uninterested in how the parts cohere, minimalists are concerned in what happens internally to the various bits and pieces that constitute their analytical interest. With minimalism, we segment the political into many discrete domains, each with its own appropriate subject matter and often its own special methodology.⁴ However, the findings in one field of inquiry are seldom incorporated into other fields. Scholars specializing in one domain seldom speak to scholars in other domains, and they appear to share little in common as they speak in their own distinctive dialects.

In their approach to power, minimalists distinguish themselves from what had long been a central concern of *political* theory and *political* science. In many studies by political minimalists, power appears like a ghost, materializing out of nowhere, only to disappear after it have done its job at the micro-analytical level. Frequently, it remains hidden throughout the analysis. In its place, we typically get bargaining in markets, processes cleansed of the arbitrariness and cruelty that concern many earlier political theorists about power. When it does appear, power is frequently as an orphan, without parents. Not surprisingly, political minimalism often appears to be in a state of suspended animation, separated from and floating

⁴ Within their separate domains, analysis is often rigorous, internally logical, and "scientific." But it is not clear how the same standards of micro-level logic and science can be used to understand to the polity at large.

above the world, carried along by the strength of its own stern logic.⁵

Working with concepts such as markets and instrumental rationality, political minimalists shift from an emphasis on power to a concentration on process.⁶ They turn from a concern about the regime to its issue areas where groups are said to pursue their interests rationally in markets and where they bargain with other groups to arrive at an equilibrium solution. It is important to notice that in the minimalist conception of equilibrium, groups are largely left to discipline each other in their self-selected issue sectors. This stands in sharp contrast to classical conceptions of political balancing or equilibrium which is assumed to occur in the polity at large. With political minimalism, we have high, thick walls that enclose issue sectors where an internal process defines appropriate rules of conduct, the standards of legitimacy (including legitimate inequalities), and the definitions of success (which often means equilibrium or marginal change)-matters that were once responsibilities of the regime at large.

In a way, the minimalist treatment of issue sectors seems highly contextualized, with each issue sector having its own distinctive features and specific players. In another way, however, minimalist politics is anything but contextualized. What happens in the broader society and polity is largely ignored as are the consequences of group bargaining outside of the issue sectors. Indeed, the consequences that emerge from the group bargaining process are generally treated as self-contained and, when they are seen as potentially dangerous, the self-correcting processes of the market are said to assert themselves.

⁵ When power makes an appearance, it seldom reveals its coercive or disabling characteristics in political minimalism. This stands in sharp contrast to the preoccupations of earlier political theorists who see power as both enabling and disabling. On politics as enabling and disabling, see Stephen Holmes, *Passions and Interests* (Chicago: University of Chicago Press, 1995).

⁶ For criticism of the role of process in contemporary social theorizing, see Hannah Arendt, *The Human Condition* (Chicago: University of Chicago Press, 1958), particularly 296, 301.

For some, the replacement of an earlier public space with a fragmented polity with diverse issue areas may be an unfortunate development, but, minimalists argue, it is one we are compelled to accept. The late modern world with its increased size, complexity, diversity, myriad divisions of labor, bureaucracy, and specializations is said to carry its own logic. For minimalists, modern politics does not rob us of all choice but it restricts the practical alternatives available to us politically.⁷ Because this is so, minimalists tell us, it is necessary to act within the constraints in which we find ourselves. From this perspective, a minimalist conception of politics must always focus on accommodation and adjustment.

On this account, there may be other positive models of popular government but the character of modern society severely restricts these democratic alternatives from becoming incorporated into modern society or useful to analysis.⁸ The intense political participation in the Greek polis, the Italian city states, and the early New England towns are held to be suitable to rural or small, homogeneous societies but simply unworkable in complex societies marked with extensive diversity. In this sense, the minimalist treatment links democracy to the broad structures of society, and as these structures significantly change, so do the modes of democratic expression.⁹ Minimalists do not argue that economic and social structures determine a particular form of politics but that the broad features of society preclude the development of certain forms

⁷ For nonaccommodating responses to these phenomena, see Jurgen Habermas, *Legitimation Crisis* (Boston: Beacon Press, 1976) and Danilo Zolo, *Democracy and Complexity* (University Park: Pennsylvania State University Press, 1992).

⁸ See Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper and Brothers, 1943), 242 and Robert Dahl, *After the Revolution* (New Haven: Yale University Press, 1970).

⁹ For the most part, political minimalists do not take earlier texts or models as offering important lessons for contemporary society. There is little appreciation in this literature that there may be important standards or principles that speak to us today, particularly that speak to our democratic aspirations about political equality and finding what we share and want to preserve.

of politics while enhancing others. For this reason, theories which are said to be realistic at one period may become unrealistic at another time if the broad structures of society and the economy significantly change. This, however, ends the story and we are given little if any discussion of how contemporary social and economic institutional practices affect democratic practice; indeed such practices are treated as analytical constants.

Pluralism as Political Minimalism

Political minimalism takes several forms today, and pluralism and rational choice theory are two of them. Each assumes voluntary action, self-interested behavior, bargaining, competition in market-like settings, and equilibrium solutions serving as the outcome of political activity. In addition, each purports to be internally logical, rigorous, and realistic. With each, there is a tendency to leave the regime as a whole and examine its pieces. This is one of the pride and joys of minimalism. Because the field of analysis is not the whole but its parts, little attention is given to the consequences of politics on society at large.

Arthur Bentley's political minimalism can be said to lay the basis for what has become known as political pluralism. Denying that there is an objective interest in politics,¹⁰ he insists that groups with their interests are the primary units.¹¹ For Bentley, each group internally generates its own ideas of what is good for it.¹² Out of this hoard of groups, we find each sorting itself out according to its primary interests and competing with others for benefits or protections

¹⁰ *The Process of Government* (Evanston: Principia Press, 1908), 212.

¹¹ For him, "Group interest... is first, last, and all the time strictly empirical" (*The Process of Government*, 14).

¹² "There is no group without its interest" (*The Process of Government*, 211). Most early discussions of politics have been suspicious of interests. Minimalists, however, build a theory on them and cleanse them of their pejorative characteristics.

from the government in myriad political markets.¹³ In this metaphor, individual citizens, the central players in earlier democratic theory, disappear as the basic unit of popular government. For Bentley, "the individual stated for himself, and invested with an extra-social unity of his own, is a fiction."¹⁴ To the extent that individuals count politically in Bentley's theory, it is because they feel intensely about something and are part of a group.¹⁵

This follows from his intention to ask "the scientific question" which is not "why are these men doing these things and not others," the kind of question that Aristotle and Hegel think interesting. Rather, Bentley asks, "how are these masses and groups of men doing these things in these ways."¹⁶ For this reason, he wants to study the process of government to order to understand politics and concludes, "If we say activity, we have said all."¹⁷

The equilibrium that develops out of the Bentley's minimalism replaces earlier substantive conceptions of the common good; indeed it becomes the common good. One reason this is a minimalist approach to politics is that it does not have to pay attention to actual distributions because they are analytically empty. This can be seen in Bentley's observation that when some interest groups are said to misbehave, "we see the formation of a group interest directly aroused in opposition to the interests which have gained objectional power."¹⁸ Bentley

¹³ "No group has meaning except in its relations to other groups" (*The Process of Government*, 217). Later he writes, "Government... is the organization of forces, of pressures" (453). As in most other pluralist treatments, Bentley assumes an ease of group formation and access.

¹⁴ *The Process of Government*, 215.

¹⁵ *The Process of Government*, 216.

¹⁶ *The Process of Government*, 90.

¹⁷ *The Process of Government*, 452.

¹⁸ *The Process of Government*, 454-55.

goes on to argue that group politics avoids extremes, something he takes to be the antithesis to his conception of a common good. When the struggle between opposing groups becomes intensified, "there will become insistent in society a group more powerful than either of those involved which tends to suppress the extreme and annoying methods of the groups in the primary struggle."¹⁹

Many of these same themes and approaches mark Robert Dahl's contributions to pluralism. For him, power is diffused and claims that an elite governs are simply wrong. In place of elite models or populist ones, Dahl offers polyarchy. This leads him to write "at a minimum, it seems to me, democratic theory is concerned with processes by which ordinary citizens exert a relatively high degree of control over leaders."²⁰

Dahl presents polyarchy as the antithesis of what he finds in closed political systems where "political resources were marked by cumulative inequality: when one individual was much better off than another in one resource, such as wealth, he was usually better off in almost every other resource--social standing, legitimacy, controls over religious and educational institutions, knowledge, office."²¹ Dahl's view of power reflects Dahl's minimalist view of politics: as he puts it, "by power, we mean to describe a... realistic relationship, such as A's capacity for acting in such a manner to control B's responses."²² In other words, no action then no power.

In keeping with earlier pluralism, he finds that groups can form and gain access to the

¹⁹ *The Process of Government*, 372.

²⁰ *Preface to Democratic Theory* (Chicago: University of Chicago Press, 1956), 3.

²¹ *Who Governs?* (New Haven: Yale University Press, 1961), 95.

²² *Preface*, 16.

political stratum relatively easily. He writes that, "In New Haven, in fact, the political stratum is *easily* penetrated by anyone.... In an open pluralistic system, where movement into the political stratum is *easy*, the stratum embodies many of the most widely shared values and goals in the society."²³ From Dahl's minimalist perspective, we can observe the political activities of groups on the periphery and observe their successes, whether large or small, substantive or symbolic. However, such a minimalist approach fails to notice that after such groups engage in pluralist politics often little has changed. There is, in this approach, a decontextualization of politics and power. Take the example of Dahl's study of New Haven in the 1950's where blacks are said to have power in the issue sector they have voluntarily selected for themselves. This move of investing power in what seems to be a powerless group within a very specific issue sector has come to be applied to all sorts of groups who would otherwise seem to be powerless. Their occasional victories in specific issue sectors seldom change their lives or increase their power appreciably. Here we see the results of fragmenting not only power and politics but also individuals and groups and making one analytical segment act as the whole. At such times, there is a tendency to concentrate on the small favors that citizens at the periphery win and to declare them victorious or, at least, equal players.²⁴

What emerges from this brief review of Bentley and Dahl is a political minimalism which assumes open access and competition among groups bargaining in political markets. If this is so, then pluralist politics, as currently constituted, would appear realistic and democratic. But what actually occurs in the issue sectors that the pluralists uncover is much different than the

²³ *Who Governs?* 91; italics added.

²⁴ Working his minimalist conception Dahl writes that "In comparison with whites, therefore, Negroes find no greater obstacles to achieving their goals through political action" in New Haven in the 1950's (*Who Governs?*, 294).

metaphor of the market promises. Before discussing why this is so and why this is important, it is helpful to take a brief excursion into rational choice theory as another expression of political minimalism. To do this, I turn to Anthony Downs.

Anthony Downs and Rational Exploitation

Anthony Downs' formal theory of voting and group bargaining parallels the political minimalism of contemporary pluralists.²⁵ From his perspective, voters are better advised to be ignorant about politics at the systems level because their single vote will hardly make a difference. But Downs believes that citizens are rational when they use politics to enhance their interests, and the interests on which he concentrates revolve around income. Everyone both produces income and spends it. Most of us have a primary source of income, whether it is from a job, government benefits, or investments, and we try to protect it, enlarge it, or exempt it from full taxation or burdensome regulation. Downs goes on to observe that this focused political interest does not apply to our consumer interests because we have too many of them. Even if we were repeatedly successful at enhancing a particular consumer interest, we would not be as well off as if we had successfully used our scarce resources to enhance our producer interest. Downs believes that most citizens know this, and he applies this form of interest maximization to explain why it is rational for modern citizens to be exploited in their consumer interests as they concentrate on enhancing their producer interests. Downs argues that politicians also work with

²⁵ I take Downs as representative of this literature. The same basic arguments also apply to the works of William Riker, *Liberalism Against Populism: A Confrontation Between the Theory of Democracy and the Theory of Social Choice* (San Francisco: W. H. Freeman, 1982) and James M. Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1965). For an early statement of Downs' minimalist politics, see "A Economic Theory of Democracy," *Journal of Political Economy*, 64 (1957): 135-52.

these propositions and attempt to win office by appealing to diverse producer interests that generate a winning coalition.²⁶

In this account, Downs offers his own view of political minimalism. By and large, people are said to be content when their producer interests are satisfied and who subsidizes these interests is seen as largely irrelevant to each beneficiary. Each participant views politics from his or her own vantage point or the good of his or her own household.

Some of what is missing in Downs' discussion of this kind of democracy are many of the same issues absent in the pluralist account. Moreover, what many find disturbing in American politics is celebrated by Downs as by the pluralists as signs of strength, particularly the lack of a common good--something they imply must flow out of a monolithic conception of politics.²⁷ When Downsian politicians try to construct a winning majority by satisfying diverse producer interests, they do not question whether the collection of interests they assemble is coherent or not or whether, in the aggregate, public policy is rational or not. Policy reflects the distributions of power that various groups carry with them, and since the groups who form the winning coalition in a specific issue area act independently of the groups in other coalitions, there is no reason to expect the combination of public policies to reflect coherence and intelligibility.

It is also helpful to notice that the propensity of an increasing number of voters to have

²⁶ Downs does not have to argue that no one ever pursues consumer interests for his proposition to hold, only that the pattern of domestic interest articulation persistently and consistently favors producer interests over consumer interests.

²⁷ For his part, Dahl holds "Any proposal for achieving the general good in a democratic country must be judged unsatisfactory if no general good exists because the regulative structures create long-run conflicts of fundamental interests among citizens. In this circumstance, the more rational citizens are, the more that exhorting them to strive for the general good is a useless remedy; and the more that such exhortation succeeds in changing civic orientations and bringing about a consensus on regulative principles and structures, the more deceptive the exhortation" (*Dilemmas of Pluralist Democracy* (New Haven: Yale University Press, 1982), 165).

little information about or interest in politics apart from what directly affects them is taken to be rational by Downs and many other minimalists. On this account, it is sensible to attend to one's own pastures and not wander into the rest of the countryside. What this means in practice, is that it is rational to be politically indifferent to matters outside of one's own issue sector. It also means that the concerns of strong republicans about the character of citizens--about their sense of civic duty, their concern about the common good--become irrelevant.

Adam Smith and Political Markets

The market metaphor as used in political minimalism is often misleading. To show why this is so, it is helpful to return to the classical conception of economic markets, and this takes us back to Adam Smith.²⁸ First of all, Smith insists on a distinction between markets and private property. For him, private property can exist without the market but markets require private property. Accordingly, Smith complains that some kinds of private property restrain trade and preclude the formation of markets. Monopolies, guilds, and other expressions of concentrated power have many of the same attributes that Smith credits to unaccountable state power; each is concentrated and irresponsible, each repeals the laws of supply and demand, and, as Smith understands matters, each threatens liberty. For him, the best protector of liberty is not simply private property because some forms of private property, such as monopolies or slavery, destroy freedom. Accordingly, he wants to see private property embedded in competitive markets.²⁹ The same arguments can be called up about the groups that populate pluralist politics. Some

²⁸ I offer an extended discussion of Smith, markets, and politics in *Republican Paradoxes and Liberal Anxieties*, ch. 5.

²⁹ *Wealth of Nations*, (Oxford: Oxford University Press, 1976), particularly Books 1 and 4.

groups appear to operate in issue sectors that resemble guilds, working to keep down competition. The fact that a group is not controlled by the government, such as guilds, no more contributes to market activity than certain forms of private property contribute to a market society. Accordingly, it is not simply good enough to look at voluntarily formed groups which pursue their own interests without state intervention and conclude we have competition.

Second, Smith insists that in a competitive economic market, the price is set by the law of supply and demand. Here, no single buyer or seller, or no small group of buyers or sellers, controls price. An invisible hand, independent of each of the participants, sorts out extraneous considerations, such as background or interest, to establish a "just price." For Smith, economic markets are valuable because they contain an internal disciplining mechanism. In his pure market, the rules of supply and demand play no favorites; no single actor or group of actors controls outcomes. With competition, the laws of supply and demand are expected to settle on a just, market price. But Smith cannot imagine a similar disciplining mechanism in politics, and he fears that if political power is coupled with private interests, whether in a democratic government or not, the strongest prevails and justice suffers. However, minimalists forget that the bargaining they imagine in democratic politics does not carry the disciplining mechanisms that Smith thinks reside in an economic market with its laws of supply and demand.

For this reason, it is critical to emphasize that Smithian markets are open. There is no restriction on who can enter the market and who stays. Indeed, the successes of early participants in a particular sector of the market inadvertently invite others to try their hand in the market. To make a handsome profit in a market, on this theory, invites capital that is invested elsewhere at a lesser profit to migrate to more promising terrains. By extension of the law of

supply and demand, early, successful participants may or may not continue to prosper with new competition. Nothing assures their continued success or even their continued presence under changed, competitive conditions.

There is another aspect of Smith which is germane to efforts to apply market metaphors to politics. By and large, Smith does not believe that economic activity fosters ennobling or social virtues.³⁰ To be sure, he thinks markets can make people prudential, hard-working, and honest, but it is away from markets that Smith thinks we express our moral sentiments. Butchers, you will recall, put meat on our table not because of their benevolence but because of a voluntary transaction that is said to leave the buyer and seller satisfied.³¹ Political minimalists have neglected to notice that, in their economic analysis of democracy, people are transformed by the very theory they advance. Citizens may be virtuous or not in their private lives but the coin of the political realm is active self-interest.

Oligopolies and the Mixed Economy

About the same time Bentley was introducing his theory of group politics, Piero Sraffa observed that market imperfections rather than pure competitive models explained much of equilibrium found in the economy.³² Along with some other economists, Sraffa was developing

³⁰ Smith finds that when we deal with others in economic markets, "we address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages" (*Wealth*, I.ii.2).

³¹ Smith holds that "people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices (*Wealth*, I.x.c.27). What Smith says of merchants applies to those who occupy issue sectors as they seek favors for themselves, even at the expense of the rest.

³² Piero Sraffa, "The Laws of Returns Under Competitive Conditions," *The Economic Journal*, 36 (1926), 535-550.

the theory of oligopoly to show how a few sellers in a business sector react to the economic activities of their rivals rather than respond to the law of supply and demand that is said to drive competitive markets. For Sraffa, firms in an oligopolistic sector are responsive to different mechanisms than those found in markets and oligopolistic sectors are characterized by different structural properties than competitive ones. Oligopolies, unlike firms in a competitive sector, are not operating in a free market and are not *primarily* interested in demand but in the behavior of their rivals.³³

According to this theory, each firm in an oligopolistic sector pursues an optimal rather than a maximal strategy. That is, a firm attempts to gain a satisfactory portion of the market and an acceptable margin of profit rather than pursue an aggressive policy which might increase its share of the market and profits but which also imposes greater risks on the firm. This behavior is based on the premise that oligopolists have some control over their production and pricing strategies. Each possible strategy carries expected benefits and risks. The risk factor is not so much derivative from consumer reactions as from the counter-strategies of other firms in the oligopolistic sector. If one firm, for example, attempts to pursue a maximum strategy of increasing profits, it might set off an intense reaction from other firms who feel endangered because their profits are threatened, and any current equilibrium of the market is seriously disturbed. The firm that initially attempts to maximize may be the loser as other firms act to punish or discipline it. Therefore, there is an incentive to pursue an optimal strategy and maintain the firm's share of the market and profits.

³³ For summaries of oligopoly theory, see James Friedman, *Oligopoly Theory* (Cambridge: Cambridge University Press, 1983); P. A. Geroski, L. Philips, and A. Ulph, "Oligopoly, Competition, and Welfare: Some Recent Developments" in *Oligopoly, Competition and Welfare* edited by P. A. Geroski, L. Philips, and A. Ulph (Oxford: Blackwell, 1985), 1-18; also see Joseph Stiglitz, *Economics* (New York: Norton, 1993), 423-442.

Oligopolies occur when there are a limited number of producers in each sector and entry to new rivals is limited or expensive. Rather than concentrating on the number of firms in an industry, some economists focus on the share of the market controlled by one or a few firms. Thus when a single firm controls twenty-five per cent of a market, some economists think an oligopoly exists. Others look at the proportion of the market that is controlled by a few firms to determine the presence of an oligopoly. What emerges in this intramural debate among economists is the considerable descriptive flexibility that characterizes oligopolistic sectors as well as an agreement that price is not determined by the law of supply and demand.

That there is relatively little price competition in oligopolies does not mean other forms of competition are unimportant. Advertising augments price incentives to keep old customers and attract new ones. The nature of advertising is not so much to stimulate price competition as to make the firm's particular brand familiar and attractive. Thus auto manufacturers promote the idea that leather interiors and other style features are somehow important to consumer choice. To enlarge the list and review other mass consumer goods would only make the obvious tedious. Suffice it to say, movements from one brand to another due to advertising are generally small and therefore do not disturb the overall equilibrium of the industry. Advertising and product familiarity and identification, moreover, make it difficult for new firms to enter established markets effectively. Oligopolies have an incentive to restrain profits in order to reduce incentives for others to enter the sector and thereby threaten the current equilibrium. Excessively high profits in oligopolistic sectors serves to attract new rivals with adequate resources to disturb the current equilibrium.³⁴

³⁴ Oligopolies can change their composition. The once robust oligopoly in the American auto industry was broken by Japanese manufacturers in the 1980's. After all of the changes, however, the auto industry remains

Oligopoly makes a difference for the economy. Some find that by limiting competition, it makes for less efficiency and productivity. Others emphasize the relative inflexibility of prices in oligopolies, and the model of supply and demand presented by Adam Smith simply cannot account for continued high prices in declining markets. Indeed, Samuelson observes, "Once the rules of perfect competition have been left behind, there is no Invisible Hand principle which sets up a presumption that the working out of *laissez faire* is likely to be in the direction of satisfying wants more efficiently."³⁵

Issue Sectors and Oligopolistic Politics

At this point it is helpful to return to political minimalism, particularly its effort to divide the polity into several issue sectors and show that groups are active in one or a few issue sectors but not in others. The reason seems obvious enough: every group has finite resources and, if its leaders act rationally, they concentrate their resources in issue sectors of greatest interest to its members and remain uninvolved in what occurs elsewhere. Within each issue sector, groups compete with one another over benefits, a finding that leads pluralists to conclude that American politics is largely competitive. On closer inspection, however, group activity in some issue sectors approaches the bargaining that occurs in oligopolies rather than the competition said to characterize free markets. It turns out that groups in many issue sectors are primarily interested in maintaining some rough equilibrium and share an understanding that new groups should be restricted because their presence threatens to disturb the present allocation of government

oligopolistic.

³⁵ Paul A. Samuelson, *Economics* (New York: McGraw-Hill, 1964), 495.

benefits that groups have been able to achieve over time for their members. To admit new groups means that more resources are necessary if current participants are not to lose or, if resources remain constant or only marginally increase, then the participants redistribute goods among themselves and develop a new equilibrium, one in which some earlier beneficiaries receive less than they had previously.

The benefits to groups in oligopolistic politics are usually paid by those outside the sector, that is, by nonparticipants. Protecting certain businesses or agriculture, for example, is expensive, and these costs are generally not born by the participants within the businesses or agricultural issue sectors but by consumers or taxpayers in one way or another.³⁶ The point is not that all subsidies or benefits to interest groups are unmerited and that all costs transferred outside an issue sector are unjust. Nevertheless, oligopolistic sectors in politics routinely transfer costs outside the sector without either reflecting a strong public involvement in the decision-making process or making groups accountable to the public.

The issue sectors of late-modern liberal democratic regimes are structurally diversified. Some are open and permeable as the pluralists predict but others look like oligopolistic sectors with access highly restricted and bargaining and interdependence defining relationships of groups. Today, liberal democratic politics reflects something akin to the mixed economy, that is, the state is a mixed polity, with some issue areas relatively open but many others relatively

³⁶ This spells one crucial difference between transactions in competitive economic markets and the government. Economists insist that market exchanges are voluntary. If I want a product you are selling, I decide if I like the price and buy if I do. If I do not, I voluntarily leave. This is not what happens with government. Whether I like a particular subsidy or not, I pay (though my taxes which are not voluntary) and if I do not like a regulation, I am expected to comply, whether I want to or not. The voluntariness that is said to characterize economic markets has no analogue when we turn to taxation or state regulation.

closed, unresponsive, and unaccountable to the public.³⁷

Revisiting Political Markets

The challenge that political minimalists see for democratic politics is whether any single group dominates the political system. Expressing the issue as a contrast between elite rule and group politics, they find contemporary democracy is relatively open, competitive, and responsive. The competition that minimalists detect in American politics and the purported tendency of groups to abide by procedural norms, such as the "democratic creed" or "rules of the game" provide a reading of democratic politics as a reliable and ostensibly safe way for interests to be expressed and processed.³⁸

The system is said to be reliable because every interest is thought able to express itself in the absence of a power elite. And the system is thought safe because the purported bargaining that accompanies the group process is thought to act as a check on extravagant claims by any single group. Bargaining provides more than a descriptive account of the way interests are processed in pluralist and market politics. It also supplies its normative justification for pluralism and legitimizes interests. After all, groups are said to emerge voluntarily or spontaneously from civil society and are not the creatures of government. For minimalists, the

³⁷ Notice that pluralists have accountability run from public officials to interest groups with the assumption that if others really become interested, then they would count as well. In addition to not considering the start-up and access costs associated with group representation, the theory neglects to consider reasons other than direct interest that motivate action. What often becomes important are the accumulative effects of policy, by what it does, what it costs, and what it leaves unattended.

³⁸ Theodore Lowi argues that liberalism is "unable to come to terms with the problem of imperfect completion (*The End of Liberalism* [New York: Norton, 1969], 295). For his part, Jon Elster finds the market serves as an inadequate description of politics ("Market and Forum," *Foundations of Social Choice* edited by Jon Elster and A. Hylland [Cambridge: University of Cambridge Press, 1986]).

members of political interest groups determine what is good for them and work to achieve it. On this account, the interests of a single person or a very small number of people are not apt to be politically influential; to count politically, a group must first attract sufficient citizens to its position; then they are in a position to generate politically convertible resources and bargain with other groups in issue sectors. Here, the interests of larger aggregates are simply taken for granted. In fact, the pejorative meaning attached to self-interest is cleansed with the magic of numbers, resources, and particularly success in the minimalist literature. Groups which are successful, on this account, deserve to be, having been legitimated by the bargaining process among voluntary participants. Moreover, we are led to believe that interests, if not conquered, are at least tamed by group competition in contrast to the interests of a single dominant elite which can trample any other interests that it desires.

Declining to study politics comprehensively, minimalists turn to issue sectors where groups bargain with one another, usually for marginal benefits. The disciplining forces attributed to Adam Smith's economic markets are transported into issue sectors where competition among groups is said to mute raw interests. How have the bargainers in issue sectors become the legitimate exercisers of power that binds the entire regime? We would not normally claim that interests and power legitimize governing. Even if the process is open to all comers (which it decidedly is not), it seems strange to argue that the widespread lack of knowledge about what occurs in issue sectors legitimizes the use of power by those who have taken up residence there. Indeed, bargaining is as much about power as anything else, and when we discuss bargaining we call up such terms as resources and leverage, not the justice or logic of various positions. With political minimalism, speech is depleted of its political significance and

has been replaced by power as the basis of democratic legitimation.

Conclusions

This paper has rejected the minimalist view that liberal democratic politics is about competitive bargaining in political markets. Rather, I argue, what we often find in the late modern era looks like an oligopoly where a few work to restrict political access to others and bargain among themselves to distribute benefits. In many ways, this kind of politics takes on the character of oligarchy which was found hostile to popular rule. In the classical model, however, oligarchs were said to rule the entire regime; in contemporary oligopolies, the few rule, but here they preside over the bits of public policy that most interest and affect them. In the process, they fragment liberal democratic politics.

The problem is not merely that injustice often occurs in one or another issue sector that political oligopolists occupy or that oligopolists attempt to limit access to their domains of public polity; of equal import is the effect that oligopolistic politics has on the system at large. Political minimalism teaches that to be successful on the terms provided by current institutional practices, everyone needs to practice oligopolistic strategies. All citizens, on this account, need to think clearly about individualized priorities, work to achieve what is most important to them, resist the entry of new claimants, and remain indifferent to what happens elsewhere in the polity. For political minimalists, this represents political realism.

For many classical republicans, and most especially Machiavelli, this represents defensive corruption. From this perspective, it is a corrupt politics because it continually places individual interests before considerations about the good of the whole, including the good that

resides in the maintenance and vitality of the free institutions of the republic. It is defensive because those who regularly pursue such self-interested strategies might well prefer to turn to general matters but fear that if they do, their situation will deteriorate when those who remain committed to their own interest take the absence of civically-minded citizens as an opportunity to use public power for private (or group) interests. That such corruption is defensive and unintended does not make it any less corrupt and does not lessen its effects of undermining democratic commitments to equality or a concern about the common good.

Early justifications for democracy connected popular government with political equality and a general good. For all of the vagueness about the terms, each was expected to convey a standard to which democrats should aspire, not ignore. When political minimalists strip democracy of its purpose to protect and enhance political equality and when democracy merely becomes instrumental to organized interests, we are left with processes and bargaining as the criteria for defining a democracy. Efforts to describe democracy as a process are important, but it is essential that we get the description right and that means not confusing competitive markets with oligopolies. It also means that we appreciate that process does not, by itself, provide a sufficient way to understand democracy. The structural foundations and purposes of the democratic regime are every bit as important as process.

What accounts for the maintenance of oligopolies? Several theories have been presented including price leadership, advertising, restraint on pricing, non-price competition, limited access to the market and conspiracy or collusion. In the case of price leadership, one firm sets the price, and other firms follow the lead. Price leadership may involve collusion, although this is not necessary for the process to work. There may be a tacit understanding that a particular

firm will set prices, possibly because it dominates the field, is the traditional price leader, or is a reasonably reliable interpreter of the conditions in the sector.

In the late modern work, the major political issues cover more than Downsian producer interests. A wide array of value, status, and consumer interests have become important to groups commonly gathered together under the rubric of new social movements. Nevertheless, they share something important with Downs' groups that emphasize producer interests. Whatever the primary interest of the groups that are part of the new social movements, they generally withdraw from policy sectors which are not related to their central concerns. By Downs' account, they are willing to be exploited in these vacated areas in order to concentrate on their primary interests. That they follow the general pattern of American politics is not surprising because such groups do not have the luxury to reconstitute politics before they proceed with their own issues. They accept the minimalist view that if they are to have any chance at political success, they must work within the structures as they exist, and today that means interest-group pluralism.³⁹

³⁹ Clearly, many activists in and theorists of the "new social movements" have attempted to broaden the scope and appeal of the various groups and bring them into a broadly based coalition that encompasses an active plurality. Although I acknowledge and applaud such efforts, the fact remains that most such efforts have failed and do not seem poised to become successful in the near term. For academic efforts to enlarge the scope of participation and issues, see Chantal Mouffe's "Radical Democracy: Modern or Postmodern?," Ernesto Laclau's "Politics and the Limits of Modernity" in *Universal Abandon?* edited by Andrew Ross (Minneapolis: University of Minnesota Press, 1988) and William Connolly, *Identity/Difference* (Ithaca: Cornell University Press, 1991).