6 Competitive power

Elements of Foucauldian economics

Flemming Bjerke

1 Introduction

For Foucault power is practices that deliberately interfere with other subjects' *free* acts and thoughts. This implies that marketing is an exercise of power, and that power is constitutive for competition. As far as economics ignores this role of power, its analyses of markets and the tasks of economists are poor.

Generally mainstream economics conceives power as compulsive (hard power), implying that competition excludes power:

[C]apitalism is a system of generalized choice in which the extensive opportunities to walk away from any transaction preclude the private use of sanctions in the absence of collusion.

(Bowles & Gintis, 1998: 11)

It is of course generally true that the buyer's opportunity to *exit* an offer (Hirschman, 1970: 21–30) means that the market is not compulsive, but it may well involve *non-compulsive (soft) power*.

Conceiving power as compulsive only implies a *concentration concept of market power* where a monopoly reduces freedom and exercises power maximally:

[A] firm exercising monopoly power . . . can raise its price above marginal cost without losing all its clients.

(Tirole, 1994: 282)

More generally, market power is an ability associated with few sellers to raise prices and still sell the products:

When the number of suppliers declines, the possibility of diminished competition (or collusion) . . . increases, and the ability of individual suppliers to raise prices can be increased.

(OECD, 2017: 10)

However, this is a flawed definition of market power because it *is immune to empirical observations of firms' actual exercise of (soft) power in the market*. In marketing,

it is trivial that customers may be influenced by the 4 or 5 Ps (parameters): price, product, placement, promotion and PR that each covers a large number of elaborate means of soft power. Galbraith suggests this ignorance of power has poor scientific reasons:

Nothing is so important in the defense of the modern corporation as the argument that its power does not exist, that all power is surrendered to the impersonal play of the market.

(Galbraith, 1983: 120)

Even heterodox economics has a strong inclination to consider market power as compulsive and an effect of concentration (Moudud, Bina & Mason, 2012).

In section 2, I will outline a power concept that includes non-compulsive power, and this is used in section 3 to show how power constitutes competition. Section 4 will detail how competitive power is practiced, and in section 5 I will show how competition forms competitive systems and dispositives. Section 6 will draw consequences for the market society. I do not treat the works on the power of finance, lobbying, bargaining and contracts.

To clarify the analysis, I will use Moss's work on the junk food market in the US from the 1990s to 2013 to illustrate the role of competitive power.

2 Power presupposes freedom

Foucault defines power as *acts upon acts* (including speech acts) with calculated effects, that is, power is *practices* or *technologies* of acting on other subjects' practices¹ (Foucault, 1982: 786). Due to the subjects' freedom, power also implies resistance. In the market this means that competitors have to take customers' exit and voice (protests) in consideration (Hirschman, 1970).

This power concept is at odds with Lukes's more conventional concept, where power affects the subjects contrary to their interests. I divide Lukes's concepts into hard (compulsive) and soft power (Lukes, 2005: 22, 30, 36):

1 *Hard power:*

- *Coercion* threatens the subject with punishment or missed reward.
- *Force* deprives the subject of opportunities. *Manipulation* is force which the subject does not recognize.

2 *Soft power:*

- *Influence* affects the subject without using force or coercion.
- *Authority* influences the subject by means of reason.

But, *Lukes does not consider soft power as power*. This discrepancy between Foucault's and Lukes's power concepts is not just a disagreement of terms: First, hard power consists of using the *means* of punishment, deprivation and threat to control the freedom of the subjects.² But, the purpose of soft power is control

of freedom as well. Therefore it is inappropriate not to consider soft power as power. Exercising soft power is also manipulation if drawbacks are kept secret, for example the use of scientific results to compose junk food so that it creates addictivity. This example also demonstrates how soft and hard power sometimes cannot be distinguished: The consumers are simultaneously free and enforced to choose addictive junk food. Second, Foucault analyses how hard and soft power are combined, e.g. as discipline (Raffnsøe, Gudmand-Høyer & Thaning, 2016: 194–96). Therefore, in the first place, it is analytically appropriate to merge hard and soft power. Third, according to Foucault, power *may or may not* be exercised in the *interests* of (a majority of) the subjects, e.g. customers. Fourth, as Galbraith explains, competitive societies are particularly dependent on soft power. But Galbraith seems to understand soft power as any social forming (social conditioning) (Galbraith, 1983: 34). However, assuming that any social determination is exercise of power empties the power concept of its distinctive meaning (Taylor, 1984: 173). Power must be defined as intentional, e.g. marketing. However, *the very existence of non-intentional determination implies that it merges with the effects of power.*

Using Hirschman’s concepts of exit, voice and loyalty, an overview is summarized in Table 6.1. When soft power is used, loyal subjects accept authority, while non-loyal subjects may be influenced, or avoid influence (exit), or protest (voice). In case of no loyalty, hard power coerces and forces the subjects; in the market this is mainly seen as forced exit or fines. Alternatively, hard power may subjugate subjects to loyalty. Except for legal matters, market power is normally soft power: influence, authority and soft manipulation.

Foucault summarizes what should be analyzed in a power analysis (Foucault, 1982: 792):

- 1 *The system of differentiations* which are both the results of and the conditions that permit actions upon the actions of others: law, status and privilege, economic differences, know-how, etc.
- 2 *The types of objectives* of exercising power: the maintenance of privileges, authority, trades, functions, the accumulation of profits, etc.
- 3 *The means of bringing power relations into being*: threats, discourse, economy, surveillance, etc.
- 4 *Forms of institutionalization*: traditions, apparatuses, systems of apparatuses, etc.
- 5 *The degrees of rationalization*: the effectiveness and costs of the applied technologies of power.

Table 6.1 Forms of power

	<i>No loyalty</i>	<i>Loyalty</i>
<i>Soft power</i>	Influence/exit/voice	Authority
<i>Hard power</i>	Forced exit/coercion	Subjugation

Even though power presupposes freedom, and the power of institutions is acquiesced by the subjects, it offers nevertheless the holders of power opportunities to exploit advantages and to defend *privileges* (differences). Thus, a *circularity* is implied because the exercise of power is enabled by differentiations (e.g. accumulation of capital) which it is usually the objective to maintain or strengthen, and even institutionalize and rationalize. So, power is among the causes in the principle of circular cumulative causation, which to Myrdal explained how inequalities are maintained and re-enforced, implying that *irreversibility and dis-equilibrium* are associated with the exercise of market power (O'Hara, 2009: 94–96). Similarly, Hannah Arendt rejects power as depending on hard power. She founds power on freedom and considers it to be *productive and constitutive of the individuals* (Maze, 2018). Therefore the exercise of power is partly indeterminate. This point is elaborated in Table 6.2, where power may have *expected* as well as *unpredictable effects*. Unintended determinations may be known *conditions* or *uncertainty*.

Latour observes that the exercise of power is not a diffused and passive determination of subjects that just results in expected effect, it is rather transformed and translated by the subjects in performative practices, entailing that rulers have power over the subjects' conditions (Latour, 1984: 275–277) but also face unpredictable reactions and effects. In general, the exercise of power endeavours to reduce non-intended determination and unpredictable effects.

However, Arendt's understanding of power in terms of concerted actions of a group who empowers the ruler to act on behalf of the group (Arendt, 1970: 24) implies that the technologies of power used inside and outside an institution or group differ. To avoid unpredictable and non-intended events, performative translations, within a firm are surveyed, evaluated, sanctioned, etc. much closer inside than outside.

As rulers depend on the subjects' subjugation, institutions may always be overthrown or deteriorate. Exercise of power may turn into a *power struggle* or even open confrontation. But due to fear of consequences, the parties usually settle a power struggle by *negotiations, agreement or co-operation* and end up with a degree of *domination and institutionalization* where one party more or less surrenders. So, power relations are *reciprocal dependency relations*: The rulers depend on the subjects' acquiescence to keep their power and privileges, and the subjects depend on the institutionalized power for their means of everyday life, e.g. the market.

Foucault has analyzed a number of historical configurations of technologies of power (dispositives). Here, I will outline the discipline dispositive, whereas,

Table 6.2 Determination, knowledge and power

<i>Determination</i>	<i>Power</i>	<i>Not-intentional</i>
<i>Knowing</i>	Expected effects	Conditions
<i>Not knowing</i>	Unpredictable effects	Uncertainty

in section 4, I will return to the governmentality dispositive. *Discipline* is a dispositive of power and dominance founded on a range of technologies organized in two dimensions: supervision and self-regulation:

- 1 *Supervision* allocates individuals in space and time with specified coordinated functions to perform. Their acts are observed, processed and regulated to maximize or refine output, and they are educated to perform their functions.
- 2 *Self-regulation*³ Individuals are educated and formed to make them responsible for performing their functions by themselves.

To conclude, power has a hard and a soft aspect that interfere with subjects according to various models (dispositives) and associated technologies of power. In section 3, I will explain how soft power and governmentality are constitutive for competition. In section 4, I will expound that while discipline dominates inside the firm, competitive power is based on governmentality. That is, the soft power of governmentality includes the economists' exercise of professional technologies aimed at (loyal or non-loyal) subjects in the market. This generates circular processes of maintaining and developing social differences, not least as to the commitment of capital. In section 5, I will elaborate the concept of the competitive dispositive and associated competitive systems, and section 6 will expound the aspects of how competition forms society.

3 Analyzing competition as exercise of power

Whereas the traditional concentration concept of power ignores how marketing practices exercise power, a Foucauldian approach implies that firms' relations with their customers *are* exercise of soft power, and that *competition must be defined in terms of power*.⁴ The exercise of power within the economy is not a deviation or an imperfection, but a ubiquitous aspect of the economy. As Bellofiore puts it:

[E]conomic theory has to put at the heart of its discourse not the 'imperfections' of the market, but rather the 'normality' of power and conflict.
(Bellofiore, 2013: 430)

Power is a constitutive element of the economy: The firms are institutions of disciplinary power that produce, develop and sell commodities. Markets are arenas for exercise of soft marketing power that is first and foremost a productive and ordering power (Foucault, 1990, 1994a, 2013).

Moreover, power "is exercised and does not exist except when it is exercised" (Foucault, 1997: 15) "and put into action" (Foucault, 1982: 788). Power is not just a maintenance or renewal of economic relations but a continual, active constituent of the economic relations. Thus, there is no market if no

power is exercised to establish, maintain and develop it *and* its actors through cumulative circular exercise of power (Bourdieu, 2005: 195–196).

3.1 *The competitive power principle*

Analyzing competition as exercise of soft power facilitates a proper definition of competition and collusion.⁵ Here, the *target* is the buyers (or sellers) that are acted upon, and the *market* is an institutional setup enabling buyers and sellers to communicate and exchange decontextualized things or services (Callon, 1998: 16–19). Competition or collusion exist when:

- 1 Two or more actors use technologies of power to influence *overlapping targets, the field of competition/collusion*. The overlap is delimited and defined by time, place, distribution channels, contact channels, communication media, group of actors,⁶ etc.
- 2 The power exercised over the target provides the actors with *resources* (first and foremost profits) for exercise of power – and the target's members with resources for consumption or exercise of power.
- 3 The power exercised over the target by each actor may change the *resources of the other actors* to exercise power over the target.
- 4 Actors are destroyed or forced to *exit* when their *status* concerning their command over resources and means of power are *evaluated* as being too poor.

Altogether, these four points constitute *the competitive power principle*, which means that competitors affect each other's economic status by exercising power over their targets.

Competition and collusion are distinguished by their effect on the other actors: When actors, to improve their own status, exercise power over the mutual target, and thereby harm each other's status, the relation is a *competition* relation. When the actors benefit from each other's power exercise over the mutual target, the relation is a *collusion* relation.

Figure 6.1 illustrates the elementary form of competition/collusion relations. Actor 1 and actor 2 have an overlapping (communal) target which constitutes the field of competition/collusion. Each actor may to some extent influence the other actor's targets and thereby influence the other actor's opportunity to influence the target.

In general, competing actors have both competition and collusion relations to each other, so when competition and competitors are mentioned in the following pages, the collusive aspect is implied.

The competitive power principle was seen in action when the eleven biggest US food companies could not collaborate about a health policy after Sanger, CEO at General Mills, at a meeting in 1999 rejected a proposal from Mudd, vice president at Kraft, for the development of healthier food. Instead, the industry continued to collude and compete about manipulating the consumers'

Figure 6.1 The competitive power principle

eating habits by utilizing the bliss point, a combination of salt, sugar and fat that makes food addictive, stimulates hunger and increases obesity, diabetes, etc. Later the companies promoted skipping regular meals to replace them with snacks, which promoted further health problems.

The overlapping of the *targets* varies with the means of power considered and with the horizon of time. The relations between competitors' targets are generally complex; the target of one competitor often overlaps a combination of targets of other competitors and constitutes competitive networks, e.g. the promotion of cola together with salty food boosts both hunger and thirst, thus creating a competitive network *vis-à-vis* other soft drink providers. Moreover, the more the targets overlap, the higher is the risk of intense competition. Therefore, reducing the field of competition by means of differentiation and segmentation neutralizes and reigns competition and its risks (Alderson, 2006a: 122–135; Czepiel & Kerin, 2012). On the other hand, the actors within the target may also compete and thereby strengthen the power of the main competitors.

Exercising power over the target generally affects the competitors whether or not they know it. When indirect effects are considered, competition creates an intentional horizontal power relation: *indirect power* exercised through the mutual target. In order to avoid unpredictable effects, the technologies of competitor analysis are used (Czepiel & Kerin, 2012). But otherwise, competitors are just a condition of exercise of market power or a source of uncertainty (cf. Table 6.2).

Technologies that calculate the *status* and possible *forced exit* of the firm are among the constitutive setups of the market. Kurunmäki and Miller explain how the calculative infrastructure as well as exit conditions are preconditions for the establishment of markets and firms:

[A] process of co-creation, through which a financial and legal entity has been formed in tandem with the calculative infrastructure through which it is assessed and regulated.

(Kurunmäki & Miller, 2013: 1100–1118)

But the market not only presupposes legal, accounting and financial practices. Callon and Muniesa (2005) emphasize also the role of the technologies and procedures (algorithms) that calculate with prices, as well as devices enabling buyers and sellers to be identified, and encounter and negotiate. Moreover, rules regulating trade and competition must be implemented before a market can exist, so that prices may be fixed and amounts of various goods exchanged. This entails that goods, to be sold, should be objectively separable and ready to be embedded into the customer's context (*singularization*). The actors of the market, including the consumers, must be like calculating devices that, through imagining and estimating courses of action, adjust themselves to the singularized goods of the specific market. Thus, assuming an automatic equilibrium will be attained (for instance with Walras's *tatonnement*) is nothing but a prejudice without foundation in reality if all these calculations, institutions and devices are not sufficiently investigated.

4 Competitive power technologies

It is not only the technologies and devices constituting the market that are crucial for the market and its actors. Additional technologies and calculation methods "make economic actors think, reckon and behave as competitive, profit-seeking actors" (Rose, 1999: 65). Therefore the actors acquire and apply *knowledge* about planning as well as methods of investigating and predicting the reactions of the target and competitors. In order to improve their status, the actors also *rationalize* the technologies of the exercise of power.

4.1 Soft power in marketing management

The role of marketing as exercise of soft power may be elucidated by Foucault's concept of governmentality. *Governmentality* is *conduct of conduct*, a "more or less calculated and rational activity . . . employing a variety of techniques and forms of knowledge, that seeks to shape conduct" (Dean, 2010: 11). Governmentality implies a relation of self to self where free individuals govern their own and others' mentality (Foucault, 1987: 130–131). Governmentality deals with subjects inside and outside institutions, supplementing or substituting the control dimension of discipline (conduct of self-regulation). It operates through practices of liberty which structure and shape people, making free people more predictable (Dean, 2010: 194).

Foucault brings governmentality back to pastoral power, which has four main features which here I apply to marketing:

- 1 The primary target is the *flock*, i.e. the customers play the major role,
- 2 *Benevolence*, i.e. serving the target,
- 3 *Supervision* of the flock, i.e. surveying, knowing and servicing the target, and
- 4 *Individualisation*, i.e. helping each customer getting her particular needs satisfied and developed (Foucault, 2004: 128–133, 219).

Governmentality has spread out into society and been replicated, adapted and refined (Foucault, 1982: 784), not least in the marketing. The governmentality of marketing was developed during the era of marketing management to influence the customs and habits of the population (Skålén, Felleson & Fougère, 2005), and to this end it analyzes actual and potential customers.⁷ Part of these techniques is disseminating knowledge, but also keeping knowledge secret. For instance, junk food is not only developed and promoted to create addiction, but information of its harmful effects on our health is also suppressed.

Inside the firm, management has to dominate employees to render the firm able to act as a collective actor exercising market power over its targets and competitors as well as ensuring development and avoiding deterioration of the firm as a collective actor (Cheong & Miller, 2000; Skålén, 2011). That the power technologies are adjusted to the exercise of market power is reflected in the development of marketing management (Skålén & Fougère, 2007). Skålén, Felleson and Fougère (2005) observe that from the 1950s onward, a combination of discipline and governmentality became increasingly important in marketing management – as well as in other fields of management (Le Texier, 2012: 13).

Thus, competition has enforced modern management to develop organizations as a refined combination of discipline and governmentality (Fougère & Skålén, 2013). Competition benchmarking has, for instance, entailed a discipline which is based on a segmentation of the production process as well as a self-regulating and responsible workforce (Miller & O’Leary, 1996).

4.2 *The construction of competitive rationality*

According to Herbert Simon, rationality is not substantial, but procedural. But, instead of assuming like Simon that solving puzzles realizes *the* universal model of human rationality (Newell, Simon & others, 1972), it must be observed that techniques of problem solving are learned and therefore must be “analysed in the multiple and diverse fields in which they are formulated” (Mennicken & Miller, 2014: 18–38). Therefore they are also changing in time, space and social context and are even conflictual. Thus, *technologies being the tools for making rational decisions are not themselves rational, but technologies of rationalization. Thus a business economist is not rational per se, but has acquired a rationalizing capability of choosing and combining alternative technologies that should produce rational choices.*

It is not just marketing and the evaluation of a firm’s status and opportunities that are providing rational solutions, other power technologies, such as internal auditing, are rationalizing as well:

internal auditing can be conceptualized as providing: ex post assurance about the exercise of economic activities within management’s preconceived frameworks and ex ante advisory services that enhance the rationality of economic activities and the accompanying controls of organizations. (Mihret & Grant, 2017: 699–719)

This enhancement of economic rationality is effectuated by means of an *evaluation and regulation aspects* of power technologies. The *evaluation* aspect has four steps that make *truth* and *value* (goals, ends, purposes, etc.) emerge and change:

- 1 Establishing criteria of merit.
- 2 Constructing standards.
- 3 Measuring performance and comparing it to standards.
- 4 Synthesizing and integrating data into judgments of merits (House & Howe, 1999: 17).

On the basis of the evaluations, the *regulation* aspect of power technologies not only forms and accomplishes rational decisions, but it also produces *rationalization* by means of business plans that combine strategic plans (based on competitor, SWOT, portfolio, etc. analyses), tactical plans (concerning production, marketing, organization, accounting, finance, etc.) and operational plans. Competitive rationality is constructed by combining and developing rationalizing technologies so that evaluations lead to regulations that aim at strengthening predictability of targets, competitors, suppliers, profitability, etc. and avoiding uncertainty.

5 The competition dispositive

The principles for how all these rationalizing technologies are integrated constitute the competition dispositive. *A dispositive integrates different technologies/practices* regarding things, discourses, power and technologies of the self (Deleuze, 1989; Foucault, 1988: 18) according to principles that determine:

- 1 “a *heterogeneous entity* consisting of discourses, institutions, architecture plans, statutory decisions, laws, administrative measures, scientific enouncements, . . . as well as unsaid matters.”
- 2 “the nature of the *link between these heterogeneous elements*”
- 3 “a *strategic function*”, because the dispositive is “a formation that has as function to respond to an urgency” (Foucault, 1994b: III.299, my translation).

Starting from these three points, I will next elaborate the model in Figure 6.2. The model illustrates how the competition dispositive determines the principles of the links within the market system and the system surrounding each competitor, as well as the competition spurred by strategical interaction between these systems.

The competitive power principle is the impetus for how the competition dispositive incites each competitor to link up with and collaborate with other actors (targets, suppliers, consultants, media, industrial organizations, government offices, universities, etc.) to form a *competitor system*. The competitor is also integrated with financial, industrial, commercial and property rights institutions, or involved in multinational corporations (Miller & Rose, 1990; Jessop, Nielsen & Pedersen, 1991). These actors are related to each competitor

Figure 6.2 The competition dispositive

depending on their importance and on whether they are neutral or helpers or adversaries.

It is to strengthen the firm's competitive power and handle the unpredictability and uncertainty stemming from competitors, targets, etc., that a competitor system is organized. Since all competitors organize a surrounding system afflicted by unpredictability and uncertainty, the competitive power principle integrates a *market system realizing a non-intended market strategy* that link competitor systems together in competitive and collusive relations and actions that produce internal unpredictability and uncertainty, and therefore risk.

The non-intentional market strategies become "great anonymous, almost unspoken strategies which coordinate the loquacious tactics" (Foucault, 1990: 95). The unintended market strategy is a more or less unavoidable collective principle for applying and developing power and knowledge technologies that promise to accumulate advantages and benefits, and which no single competitor or competitive system fully controls or may exit without loss (Foucault, 1980, 1990). A SWOT analysis (which every competitor may perform to profit) is, for instance, a technology to elaborate a *strategy* of a competitor system operating *within* the unintended market strategy.

Since Sanger, CEO of General Mills, in 1999 rejected Mudd's proposal for development of healthier food, the market for junk food has realized an unintended market strategy promoting competitor strategies of still more diversified junk food based on scientific investigation of how to make consumers addicted. Mudd clarified what happened:

Sanger was trying to say, 'Look, we're not going to screw around with the company jewels here and change the formulations because a bunch of guys in white coats are worried about obesity.'

(Moss, 2013)

Sanger, being concerned with the company's profitability and risks associated with a future health-promoting strategy, probably had to refuse the

implementation of a deliberate health-improving market strategy. In this case, the unintended market strategy became to avoid any health policy. In other cases, the state and its various agencies play an important part in setting rules for markets, and firms often struggle for power over relevant parts of the state (Bourdieu, 2005: 204).

A corollary of the discrepancy between competitor and market systems and strategies is that a dispositive implies a discrepancy between individual experiences and social events. What each interacting actor (e.g. in a firm) experience may be eliminated at the social level (e.g. the market) where other traits of interaction may be accentuated as social events entailing patterns of facts beyond aggregated experiences (Raffnsøe, 2002: 1:72). Adam Smith pre-empted this principle with his concept of the invisible hand that explains how experiences and purposes deviate from social events: Every individual strives to maximize his revenue without considering the public interest.

[But, the individual] is in this . . . led by an invisible hand to promote an end [, the interest of society,] which was no part of his intention.

(Smith, 1776: IV.II.331)

However, prejudice about the competition dispositive on the micro-level should not overrule actual investigations of a market as producing social events. The junk food industry, for instance, satisfies consumers' cravings, but regarded as social events, it actually also profits from stimulating and manipulating consumers to aggravate their own health (Moss, 2013). In the next section, I discuss certain social patterns which are generated by the competitive dispositive.

6 The role of competitive power in the market society

Simmel has partially pre-empted the competitive power principle and analyzed the consequences of its growing importance. For Simmel, competition is a substitute for direct conflict. As conflict implies power struggle, and power for Foucault is a substitute for war (Foucault, 1997: 21), Simmel's concept of competition may contribute to detail Foucault's concept of power, that is, how competition contributes to avoid war.

6.1 Competition tends to dominate society

According to Simmel, no society is without conflicts (*Streit*), but the conflicts may take place in the form of competition. Competition is indirect conflict dependent on the appreciation of a third party, that is, unlike direct conflict, the outcome is not in the hands of any of the combatants. Therefore, it is a misunderstanding to conceive competition as warfare (as does Shaikh, 2016: 260).

Competition forms the subjectivity of the competitors: Though it is indirect, the ferocity of competition is comparable with that of a fight. The negative sides of competition are that it contradicts the principle of equality and realizes

the brutality of the objective of victory, that is, it is destructive to competitors – and their missions. As Davies puts it, “the task of the competitors themselves is to maximize inequality in ways that benefit themselves” (Davies, 2014: 63). This corresponds with Wroe Alderson’s power principle that describes how the market spurs cumulative circular processes of growth and power:⁸

An individual or an organization, in order to prevail in the struggle for survival, must act in such a way as to promote the power to act. The power principle is especially important in relation to the expansion of a growing system. As a system grows, it is increasing its power or capacity to carry on its regular processes on a greater scale. . . . The difficulty is that there is no escape from risk because the risks associated with inaction are often more severe than the risks of action.

(Alderson, 2006b: 107–108)

Thus, not only do competitors exercise power over their customers, they have to do so as efficiently as possible (cf. Hicks’s lazy monopolist) and therefore strive to intensify and expand the exercise of power over customers. Competitive markets are vigorously self-promoting and imperialistic and tend to occupy and subdue other systems (e.g. the welfare state) and unregulated spheres (e.g. the ocean bottom in search of minerals) to itself.

A market system “which makes isolated markets into a market economy, regulated markets into a self-regulating market” is the principle of the modern market economy (Polanyi, 1944: 60). That is, *the competitive dispositive has become a dominant dispositive* that tends to subordinate and absorb other forms or power: the legal, disciplinary and governmentality dispositives.

6.2 Growth and differentiation

A consequence of the imperialism of the market system is that competition creates a perpetually developing and differentiating society, rather than a single firm’s victory. Referring to Chamberlin, Alderson observes that market heterogeneity is fundamental. That is, *for a firm not to exit the market, it must have monopolistic advantages* to exercise market power.⁹

Thus, the circular growth processes not only imply quantitative growth, but also increase differentiation and segmentation. The firms utilize that as “economic activity expands, opportunity proliferates” (Alderson, 2006a: 128). The search for monopolistic advantage then spurs an “unending search for differential advantage” because the profit incentive “is directed toward differential advantage” (Alderson, 2006a: 116). Therefore, besides bankruptcies, mergers, take-overs, etc., growth and differentiation are the main way of avoiding failure in the competitive power struggle (which is exactly what Moss’s investigation of the junk food market exemplifies).

As differentiation is pervasive, it is *generally* a misunderstanding that competition equalizes prices within an industry (Shaikh, 2016: 262). Porter elaborates

the differentiation process when he outlines the three main generic strategies of an industry: cost leadership, differentiation of products and focus on specific customer segments (Porter, 2008: 12–17). The differentiation process also contradicts the self-fulfilling non-realism of microeconomics' equilibrium analyses of competition of homogeneous products: Since competitors fight for victory, competition in homogeneous markets should dissolve itself by creating monopolies. Since most markets are not monopolies, equilibrium analysis – instead of reserving homogeneous markets to special cases – invents (empirically unverified) conditions of equilibrium that should neutralize competition. The reality is that growth and differentiation are immanent in the market society; it is *generally* an exception that prices are equalized.

6.3 Generalized competition and risk

Simmel also observes how competition affects society in a more general way: Competitors have to do their utmost to subject themselves to the masses, but also to lead them. In a competitive society, *not only do all fight against all, but at the same time all fight for (the appreciation of) all*. The market society realizes a *general competition* about attention, legitimacy, prestige, money, time, resources, etc. – or of the human soul, as Simmel writes (Werron, 2014: 63). All firms tend to compete with each other, and everything tends to compete with everything.

But the target is basically not known by the competitors and tends to be a fiction (Werron, 2009), implying that the competitive society is always risky. However, understanding competition in the light of governmentality clarifies that the technologies of *market analysis* partially compensate for these risks by making the target more predictable.¹⁰ But analyzing competition for predictive and risk-avoiding purposes requires a balance between identifying too few and too many competitors (Lehmann & Winer, 2007: 30). That is, the analyses of markets and competitors tend to be restricted so that general competition and its effects tend to be ignored.

The general competitive environment entails a general risk that also spurs the exercise of power for the purpose of growth and differentiation. But, this and the cumulative effects hereof tend to be ignored even though they involve increasing exercise of power and may effectuate harmful effects. A market society is a risk society. As Beck explains:

Therein lies its internal dynamic – not malevolence, but the market, competition, division of labor, all of it just a bit more global today.

(Beck, 1992: 51)

The growing importance of the competitive dispositive implies growing risks, which big data seems perfectly suited to remedy so that, in the aftermath of the digital revolution, the natural outcome of the market society seems to be surveillance capitalism.

6.4 *The rationalizing economist has to exercise power*

Business economists apply the power technologies discussed earlier, but they have to comply with the power exercised inside the firm: They evaluate and regulate, but they are also themselves evaluated and regulated. As Alderson explains, competition induces the firm – and hence forms its employees accordingly – to exercise power in order to profit from growth and differentiation. Economists have the primary information of and access to the objects of the target, competitors, suppliers, internal matters, etc. and are expected to evaluate these according to the competition principle. A rationalizing business economist is a subject that by means of acquired calculative and performative technologies and skills contributes to the strategic rationalization and proliferation of the firm so that its competitive status as to profitability, evaluated by the accounting technologies, is satisfactory or even improving. To enable the economists to perform all this, firms establish regimes of truth, and engage both in networks of knowledge creation (Heizmann & Olsson, 2015: 756–769) and in practicing and developing disciplines of business economics.

Thus, due to the competitive power principle, the business economist must engage in the firm's use of the power technologies to effectuate an on-going rationalization of both internal and external power technologies (Callon, 1998: 24) as well as continual growth and differentiation. That is, assemblages of machines and humans, where humans are more or less enslaved into being a functional part (Lazzarato, 2014), tend to be continually developed in order to enhance competitiveness. The multiplicity of managerial rationalization technologies is handled by a multiplicity of rationalization experts that realize the productivity of power and are co-ordinated according to the competitive dispositive so their power skills rationalize the integration of individuals and things into a market that exploits the targets and unfolds the competitor system.

The dominance of the competitive dispositive incites business economists to adopt a nearly inescapable cynicism or naivism because they must commit themselves and their creativity to support and exercise competitive market power over the targets in order to ensure growth, differentiation and profit. The economist is not paid for figuring out whether this effectuates harmful social events. For instance, chief operating officer Dunn at Coca-Cola was fired for having stopped marketing cola in public schools (Moss, 2013).

7 Conclusion

Economics generally excludes empirical analyses of how the soft market power of marketing is exercised. Using Foucault's concepts of power offers a fruitful way of analyzing marketing as an exercise of power, which implies that competition must be defined in terms of power. The competitive power principle consists of describing how competition and tacit collusion are indirect forces that stem from competitors using power technologies to interfere with a mutual target of customers.

By relating to institutions, each competitor builds a system that develops strategies and tactics of power in order to profit from its targets. However, a market also constitutes a market system which realizes non-intended and self-establishing strategies. The competitive power principle is the driving force that constitutes the competitive dispositive as the integration principle of competitive systems, market systems and strategies that is the dominant ordering of the modern market society.

Because marketing is the exercise of power, there is no guarantee that the market develops for the best for its customers. Business economists are rationalizing in that they acquire and develop technologies of power and have to exercise their rationalizing power skills to promote profitable developments, be they sustainable or not.

In markets, power is particularly dynamic and productive, inducing a continual development of rationalization, differentiation and growth to open new profitable opportunities, thus spreading to and taking over more and more parts of society, nature and personal experience. Moreover, in the market society everyone tends to compete with everyone for power, time, attention, money, etc. And all this promotes surveillance capitalism.

Notes

- 1 This includes acts upon feelings and thoughts as far as the ways of thinking and feeling are founded on the social rules and schemes of language and behavior (Merleau-Ponty, 2016).
- 2 Even the extreme and total terror and torture within the Nazi concentration camps had, besides sheer killing and suffering, the purpose of controlling the prisoners' tiny freedom by creating a state of absolute terror, apathy and obedience (Sofsky, 1997: 35, 248).
- 3 Concerning self-regulation of firms see (Miller & O'Leary, 1996; Skålén, Fellelsson & Fougère, 2005; Fougère & Skålén, 2013).
- 4 Thus, the concept "vertical competition" is a confused term for the exercise of power constitutive of (horizontal) competition.
- 5 Here collusion is used mainly in the sense of *tacit collusion*, not in the sense of agreed or arranged collusion.
- 6 By 'actor' is meant either an individual or a collective actor or a composite assemblage of humans, symbols and things, e.g. a firm.
- 7 However, there are elements of disciplinary power in marketing as well (Kasabov, 2004).
- 8 Cf. (Bourdieu, 2005: 202).
- 9 Decreasing returns to scale throughout an industry may perhaps constitute a possible, rare exception to the competitive drift towards increasing heterogeneity or concentration.
- 10 This is changing with the use of big data and artificial intelligence. The target becomes still more known in detail and marketing still more tailored towards single individuals.

References

- Alderson, W. (2006a). Competition for differential advantage. In: Wooliscroft, B., Tamilia, R. D. & Shapiro, S. J. (Eds.), *A twenty-first century guide to Aldersonian marketing thought*. New York: Springer.

- Alderson, W. (2006b). The power principle. In: Wooliscroft, B., Tamilia, R. D. & Shapiro, S. J. (Eds.), *A twenty-first century guide to Aldersonian marketing thought*. New York: Springer.
- Arendt, H. (1970). *On violence*. New York: Houghton Mifflin Harcourt.
- Beck, U. (1992). *Risk society: Towards a new modernity*. London: Sage.
- Bellofiore, R. (2013). A heterodox structural Keynesian: Honouring Augusto Graziani. *Review of Keynesian Economics*, 1(4), 425–430.
- Bourdieu, P. (2005). *The social structures of the economy*. Cambridge and Malden: Polity.
- Bowles, S. & Gintis, H. (1998). Power in competitive exchange. In: Samuel Bowles, M. F. & Pagano, U. (Eds.), *The politics and economics of power*. London and New York: Routledge.
- Callon, M. (1998). *The laws of the markets*. Sociological review monograph. Oxford: Blackwell Publishers.
- Callon, M. & Muniesa, F. (2005). Peripheral vision: Economic markets as calculative collective devices. *Organization Studies*, 26(8), 1229–1250.
- Cheong, S. -M. & Miller, M. L. (2000). Power and tourism: A Foucauldian observation. *Annals of Tourism Research*, 27(2), 371–390.
- Czepiel, J. A. & Kerin, R. A. (2012). Competitor analysis. In: *Handbook of marketing*. Cheltenham: Edward Elgar.
- Davies, W. (2014). *The limits of neoliberalism: Authority, sovereignty and the logic of competition*. London: Sage.
- Dean, M. (2010). *Governmentality: Power and rule in modern society*. London: Sage.
- Deleuze, G. (1989). Qu'est-ce qu'un dispositif? In: Foucault, M. (Ed.), *Michel Foucault philosophe*. Paris: Seuil.
- Foucault, M. (1980). La poussière et le nuage. In: Foucault, M. (Ed.), *Dits et écrits I-IV*. Paris: Gallimard.
- Foucault, M. (1982). The subject and power. *Critical Inquiry*, 8(4), 777–795.
- Foucault, M. (1987). The ethic of care for the self as a practice of freedom: An interview with Michel Foucault on January 20, 1984. *Philosophy & Social Criticism*, 12(2–3), 112–131.
- Foucault, M. (1988). Technologies of the self. In: Martin, L. H., Gutman, H. & Hutton, P. H. (Eds.), *Technologies of the self: A seminar with Michel Foucault*. London: Tavistock.
- Foucault, M. (1990). *The history of sexuality: An introduction, volume I*. New York: Vintage.
- Foucault, M. (1994a). Les mailles du pouvoir. In: Foucault, M. (Ed.), *Dits et écrits I-IV*. Paris: Gallimard.
- Foucault, M. (1994b). *Dits et écrits I-IV*. Paris: Gallimard.
- Foucault, M. (1997). “Il faut défendre la société”: *Cours au Collège de France, 1976*. Paris: Gallimard.
- Foucault, M. (2004). *Sécurité, territoire, population: Cours au Collège de France, 1977–1978*. Paris: Gallimard.
- Foucault, M. (2013). *La société punitive: Cours au Collège de France, 1973–1974*. Paris: Gallimard.
- Fougère, M. & Skälén, P. (2013). Extension in the subjectifying power of marketing ideology in organizations: A Foucauldian analysis of academic marketing. *Journal of Macromarketing*, 33(1), 13–28.
- Galbraith, J. K. (1983). *The anatomy of power*. New York: Houghton Mifflin.
- Heizmann, H. & Olsson, M. R. (2015). Power matters: The importance of Foucault's power/knowledge as a conceptual lens in KM research and practice. *Journal of Knowledge Management*, 19(4), 756–769.
- Hirschman, A. O. (1970). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Cambridge: Harvard university press.

- House, E. & Howe, K. R. (1999). *Values in evaluation and social research*. London: Sage.
- Jessop, B., Nielsen, K. & Pedersen, O. K. (1991). Structural competitiveness and strategic capacities: Rethinking the state and international capital. In: Nielsen, K., Jessop, B. & Hausner, J. (Eds.), *The transition to post-socialism: Scandinavian and Polish perspectives*. Krakow: Krakow Academy of Economics Press.
- Kasabov, E. (2004). Power and disciplining: Bringing Foucault to marketing. *Irish Marketing Review*, 17(1–2), 3.
- Kurunmäki, L. & Miller, P. (2013). Calculating failure: The making of a calculative infrastructure for forgiving and forecasting failure. *Business History*, 55(7), 1100–1118.
- Latour, B. (1984). The powers of association. *The Sociological Review*, 32(1_suppl), 264–280.
- Lazzarato, M. (2014). *Signs and machines: Capitalism and the production of subjectivity*. Los Angeles: Semiotext(t).
- Lehmann, D. R. & Winer, R. S. (2007). *Analysis for marketing planning*. New York: McGraw-Hill, Irwin.
- Le Texier, L. (2012). The uses and misuses of Foucault for thinking management: A case for a theory of managerial governmentality. Paper, Gredeg-Cnrs, Law, economics and management research group, Nice University.
- Lukes, S. (2005). *Power: A radical view*. Hampshire: Palgrave Macmillan.
- Maze, J. (2018). Towards an analytic of violence: Foucault, Arendt & Power. *Foucault Studies*, 25(2), 120–145.
- Mennicken, A. & Miller, P. (2014). *Michel Foucault and the administering of lives*. Oxford: Oxford University Press.
- Merleau-Ponty, M. (2016). *Signes*. Paris: Gallimard.
- Mihret, D. G. & Grant, B. (2017). The role of internal auditing in corporate governance: A Foucauldian analysis. *Accounting, Auditing & Accountability Journal*, 30(3), 699–719.
- Miller, P. & O’Leary, T. (1996). The factory as laboratory. *Science in Context*, 7(3), 469–496.
- Miller, P. & Rose, N. (1990). Governing economic life. *Economy and Society*, 19(1), 1–31.
- Moss, M. (2013). The extraordinary science of addictive junk food. *New York Times Magazine*. www.nytimes.com/2013/02/24/magazine/the-extraordinary-science-of-junk-food.html.
- Moudud, J. K., Bina, C. & Mason, P. L. (2012). *Alternative theories of competition: Challenges to the orthodoxy*. New York: Routledge.
- Newell, A., Simon, H. A. & Others. (1972). *Human problem solving*. Englewood Cliffs, NJ: Prentice-Hall.
- OECD. (2017). *Competition assessment toolkit: Volume 1. Principles*. Paris: OECD.
- O’Hara, P. A. (2009). The principle of circular and cumulative causation: Myrdal, Kaldor and contemporary heterodox political economy. In: *The foundations of non-equilibrium economics*. New York: Routledge.
- Polanyi, K. (1944). *The great transformation*. Boston: Beacon Press.
- Porter, M. E. (2008). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Simon and Schuster.
- Raffinsoe, S. (2002). *Sameksistens uden common sense, volume 1–3*. Copenhagen: Akademisk forlag.
- Raffinsoe, S., Gudmand-Hoyer, M. & Thaning, M. S. (2016). *Michel Foucault: A research companion. Philosophy as diagnosis of the present*. Basingstoke and New York: Palgrave Macmillan.
- Rose, N. (1999). *Powers of freedom: Reframing political thought*. Cambridge: Cambridge University Press.
- Shaikh, A. (2016). *Capitalism: Competition, conflict, crises*. Oxford: Oxford University Press.

- Skålén, P. (2011). Service marketing control as practice: A case study. *Qualitative Market Research: An International Journal*, 14(4), 374–390.
- Skålén, P., Fellessen, M. & Fougère, M. (2005). *Marketing, government and governmentality*. Proceedings of the CMS Conference 2005.
- Skålén, P. & Fougère, M. (2007). Be(com)ing normal – not excellent: Service management, the gap-model and disciplinary power. *Journal of Organizational Change Management*, 20(1), 109–125.
- Smith, A. (1776). *An inquiry into the nature and causes of the wealth of nations: Volume one*. London: Strahan and Cadell.
- Sofsky, W. (1997). *Die Ordnung des Terrors: Das Konzentrationslager*. Frankfurt: Fischer.
- Taylor, C. (1984). Foucault on freedom and truth. *Political Theory*, 12(2), 152–183.
- Tirole, J. (1994). *The theory of industrial organization*. Cambridge: MIT Press.
- Werron, T. (2009). *Zur sozialen Konstruktion moderner Konkurrenzen: das Publikum in der "Soziologie der Konkurrenz"*, May. Luzern: Workingpaper des Soziologischen Seminars, Universität Luzern.
- Werron, T. (2014). On public forms of competition. *Cultural Studies: Critical Methodologies*, 14(1), 62–76.