Hierarchy, Market and Power in Capitalism: Conceptual Remarks

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Abstract

The paper is a conceptual analysis, which aims at refining the concept of capitalism through an inquiry about the notions of hierarchy, market and power it presupposes. The paper argues that the capitalist regime exhibits a series of specific attributes, which are demonstrated not only via the notion of market but also via the concept of hierarchy in relation with that of power – both concepts being minimised in mainstream economics. To this end, the paper distinguishes five 'regimes', which are rarely fully compared in the large existing literature: the 'pure market' economy, the 'plan' or centralised' economy, capitalism, and two socio-economic regimes that may be coined as 'traditional' and 'feudal'. The concept of hierarchy is a key discriminant across these regimes, in association with other concepts, such as membership criteria (e.g., birth vs. capital; statuses vs. contracts; castes vs. classes), regulation mechanisms (e.g., tradition vs. command vs. market) and modes of accumulation (monetary or not). It is found that the concept of hierarchy displays different actualisations across the five regimes, from the hierarchy-free pure markets to the ex ante hierarchies of traditional and feudal societies. Similarly, causalities between hierarchy, power and wealth differ across these five regimes: hierarchy 'causes' power and wealth in traditional and feudal regimes, while wealth pulled from capital accumulation and market evaluation 'causes' power in the capitalist regime. From the systematic analysis of these concepts across the four regimes emerge elements that are common, transitional or specific to a regime, and in particular to capitalism.

Keywords: capitalism; hierarchy; market; power; feudalism; traditional societies.

1. Introduction

Today most of the questions related to capitalism involve its historical and geographical forms: what are the specific features of the current globalised and financialised capitalism (Plihon, 2004)? What are the cultural kinds, or the national versions, of this contemporary capitalism (Amable, 2005)? Most of the time, these legitimate and indispensable enquiries about empirical expressions of capitalism are based on some implicit notion of capitalism. A central topic of 'good old' political economy, the very definition of capitalism is not largely debated nowadays[1]. Nonetheless, this issue of the definition of capitalism is not a settled issue: is capitalism a social system of individual rights or is it a system of separation between the class of entrepreneurs and the class of labourers (Rand, 1967)? The present paper is a contribution to the conceptual determination of the general and abstract concept of capitalism.

This paper's analysis of capitalism starts with the basic operation of a *differentiation between the capitalist society and the pure market society*, following Heilbroner (1987, p. 347): "Capitalism is often called *market society* by economists, and the *free enterprise system* by business and government spokesmen. But these terms, which emphasize certain economic or political characteristics, do not suffice to describe either the complexity or the crucial identificatory elements of the system". As Heilbroner has stressed the role of certain institutions imparting the dynamics of capitalism, this paper aims at showing, beyond market components, the determination of capitalism through the notions of hierarchy and also power.

First, capitalist economic relationships are mixed: horizontal exchange relations when it comes to commodities and vertical production relations when it comes to labour. The capitalist structure is neither pure market (social division of labour) nor pure hierarchy (technical division of labour).

Second, power as authority is structurally involved in capitalist productive relations, as pointed out by Marx (speaking of bourgeois despotism inside the firm); and power as capability is *de facto* engaged in capitalist commercial and financial relations, as pointed out by Braudel (1988) (stressing the market power operated by capitalists).

Beyond the determination of the capitalist economy as partly market and partly hierarchy, an additional comparative analysis of the capitalist society vis-à-vis the feudal and the traditional societies should be fruitful, displaying a dynamic endogenous and monetary hierarchic scale in opposition to inert exogenous and qualitative hierarchic structures. Capitalist patterns of hierarchy are specific, and so are capitalist forms of power. "Full capitalism" is not only animated by the leading *capitalist behavior* of making profit and investing it (the logic of capital) and organized as the *capitalist economy* based on the institution of money, the competitive process and the asymmetrical wage relation: it is also shaped as the *capitalist society*, a society grounding social power on monetary autonomy and capital accumulation.

The paper's argument is that capitalism is not only constituted by markets, but by other institutions as well. It argues that the concept of hierarchy, in relation with that of power - both concepts being minimised in mainstream economics -, is a central mechanism that allows for the elaboration of a concept of capitalism that is more refined than in many studies: hierarchy is an analytical principle that enhances the understanding of the specificities of capitalism - and therefore of those of non-capitalist regimes. In addition, the two concepts of market and hierarchy are themselves specified through the concept of power, in particular via the presence or absence of power.

[1] The empirical generalisation of capitalism as the prevailing socio-economic system (and the specialisation of contemporary economics) could explain the upgrading of the question of the form(s) of capitalism and the downgrading of the question of its nature.

To this end, five ‘regimes’ are distinguished, which are rarely fully compared in the large existing literature: the ‘pure market’ economy, the ‘plan’ or centralised’ economy, the ‘capitalist’ economy and two other regimes that may be coined as ‘non-market’ and ‘non-capitalist’ - ‘traditional’ and ‘feudal’. The concept of hierarchy is a key discriminant across these regimes, in association with other concepts, such as membership criteria (e.g., birth vs. capital; statuses vs. contracts; castes vs. classes), regulation mechanisms (e.g., tradition vs. command vs. market) and modes of accumulation (monetary or not). These different regimes highlight different actualisations of the concept of hierarchy, and therefore reveal the specific type and contribution of hierarchy to capitalism.

It has been found that the concept of hierarchy displays different actualisations across the five regimes, from the hierarchy-free pure markets to the ex ante hierarchies of traditional and feudal societies. Similarly, causalities between hierarchy, power and wealth differ across these five regimes: hierarchy ‘causes’ power and wealth in traditional and feudal regimes, while wealth pulled from capital accumulation and market evaluation ‘causes’ power in the capitalist regime.

From the systematic analysis – conceptual, and not empirical or historical - of these concepts across the five regimes, elements emerge that are common, transitional or specific to a regime, and in particular to capitalism. It is shown that each ‘regime’ corresponds to particular actualisations of hierarchical arrangements and that capitalism can be circumscribed by a specific setting of monetary hierarchies: i) Capitalism relies on monetary hierarchies; ii) Capitalist hierarchies rely on wage relationships, which is a necessity for those who do not have any capital; iii) This is a dynamic relationship, which exhibit mobility, because markets are constituted by sanction mechanisms (flows-stocks); iv) The capitalist hierarchy is qualitative (employers-employees) and quantitative (scalar).

The paper is structured as follows. It firstly examines four main analyses of capitalism that are relevant in view of the conceptual framework here investigated, and introduces the concept of hierarchy and its various forms – as well as its relationships with that of power. Secondly, the paper contrasts the five regimes and the different actualisations of the concept of hierarchy across these regimes. Finally, from these contrasts, the paper reveals that the concept of hierarchy sheds light on specific characteristics of capitalism, in particular those of being a monetary economy, which is also hierarchical.

2. Capitalism, hierarchies, power, market: theoretical perspectives and definitions

As is well-known, capitalism has been, and remains, the subject of a huge literature. Before addressing the concept of hierarchy, four main theoretical perspectives may be synthesised.

2.1 Theoretical perspectives on capitalism

Capitalism as (natural) free market

When accepted by economic liberals (free market supporters and opponents to "big government"), the term "capitalism" is identified with the free market system. "(…) A social system based on the recognition of individual rights" (Rand 1967, p. 10), capitalism is based on private property rights. In this line, Friedman adds that social relations are typically voluntary exchanges smoothly taking place in competitive markets: based on mutual benefit, free co-operation as voluntary exchange can "bring about co-ordination without coercion. A working model of a society organized through voluntary exchange is a *free private enterprise exchange economy* – what we have been calling competitive capitalism" (Friedman, 2002, p. 13). Hayek (1973-79) underlines that the overall result of this decentralized co-ordination process is a "spontaneous order", which is based on social rules that also have emerged as the "results of human action, but not of human design".

Capitalism as (artificial) free market

Polanyi (1944) criticizes the naturalness of the unregulated market system, against the Hayekian idea of a spontaneous origin of the market economy (Caillé, 1989). He underlines the artificiality of the marketisation of land, labour and money, displaying and challenging the spreading of the domain of commodities and the disembeddedness of the economic order. He asserts the autonomy of democracy vis-à-vis market, against the Friedmanian view of economic freedom as a means for political freedom. Yet, Polanyi would agree with economic liberals in identifying capitalism and the market economy, as he essentially opposes modern capitalist disembedded "market" on one side and ancient pre-capitalist embedded "trade" on the other. And he doesn't focus on capital accumulation and production activities (Bell, 2002).

Capitalism as high and dynamic capital management operated by powerful and opportunistic profit seekers

In Braudel's (1988) view, the confusion of the whole economic field with a self-regulated market order is neither natural nor artificial: it is simply a misleading myth (even for the Western world in the 19th century). For him, there is a pyramidal tripartition: complex capitalism tops simple market economy, these two exchange games being grounded on the large basis of material life, which operates elementary subsistence through inherited local routines. The market economy, or economic life strictly speaking, parts and links production and consumption thanks to continuous and competitive exchanges, developing the use of money. Capitalism grows on the market economy but twists it through monopolistic practices especially applied to high finance and in long distance commerce: investments are substantial but quickly moved, playing on differentials and following profit opportunities. If the market economy is ordinary, regular and transparent, capitalism is sophisticated, dynamic and opaque.

Capitalism as a mode of production based on the dynamic logic of capital

In Marx's (1867) view, capitalist production lies below market exchange and aims at an indefinite accumulation. Profit seeking is expressed by the M-C-M' pattern (to buy in order to sell), which opens a re-investment operation triggering another cycle (M'-C-M''), and so on: a circular and growing capitalization follows. This move is grounded on the subjective capitalist desire for money and on the objective capitalist necessity to resist competition. When this logic of capital has penetrated and invaded production, capitalism becomes a mode of production: capitalists buy labour and material (M-C), organise production (CC') and sell products (C'-M'). Capitalist behaviour then takes place in a capitalist society based on the asymmetrical relation between the dominated class of workers (production agents) and the dominating class of capital owners (production masters), capital profit coming from a system of labour exploitation.

Against economic liberals and Polanyi, Marx and Braudel join to differentiate capitalism from a pure market logic, and Marx's determination of the model of pre-capitalist market economy (by the C-M-C' pattern and by the "simple market production") is close to Braudel's view of this sub-capitalist market economy. If capitalism is some kind of superstructure or the top coat of the economic hierarchy for Braudel and something like an infrastructure or a complete economy for Marx, it may be because Marx was essentially interested in his 19th century industrial capitalism and Braudel focused on the former centuries of pre-industrialised capitalism.

Beyond the question of the objective determination of capitalism, there is the question of its subjective spirit. For a materialist historian like Braudel, the question is not very relevant. Polanyi makes some room for ideological questions, but focuses on the social model of a self-regulated market and not on the individual justification a capitalist may find to its behavior. Free market philosophers abstractly claim individuals enjoy freedom, and economic freedom is one of its major expressions. Neo-classical economists translate free choice into rational choice, simply assuming that agents are self-interested and consistently follow their preferences. Weber singles out this formal and instrumental rationality as the driving force of the modern process of rationalisation, operated both in the capitalist firm and in the bureaucratic administration. Beyond original links between such an economic spirit and Protestant beliefs (a promotion of saving worldly activities), Weber (1958) notes that monetary quantification leads to an irrational reversal between means and ends, the indefinite accumulation of money becoming the ultimate goal, first religiously wanted but then socially forced. Weber and Marx may disagree on the origins of capitalism and on labour exploitation, but they agree on the theme of capitalist alienation, that is the irrationality of a system[2] in which humans are dominated by what they created: money making (Löwy, 2012).

[2] In "The new spirit of capitalism" (p. 40 of the French version), Boltanski and Chiapello write: "Le capitalisme est, à bien des égards, un système absurde : les salaries y ont perdu la propriété du résultat de leur travail et la possibilité de mener une vie active hors de la subordination. Quant aux capitalistes, ils se trouvent enchaînés à un processus sans fin et insatiable, totalement abstrait et dissocié de la satisfaction de besoins de consommation (…)".

2.2. Introducing concepts: hierarchy and power

In order to clarify the argument, the exact meaning of concepts is made explicit. The concept of hierarchy has different meanings, and hierarchies take a variety of forms.

Generally speaking, the concept of hierarchy refers to vertically ordered positions, separating a superior level and an inferior one. For the most part, a hierarchy is a *qualitative* ordinal ranking opposing what is elevated high-up and what is belittled low-down as different natures. A qualitative hierarchy may associate major or prime differentiations and minor or secondary distinctions: all commissioned officers are higher than all non-commissioned officers and, inside the first group, colonels are higher than captains.

A hierarchy, however, may also be a *quantitative* cardinal scaling opposing plus-up and minus-down as different degrees. A quantitative hierarchy is based on some unit and the position or height of an element is given by a number of units: the wealth of an individual is defined by an amount of dollars. From that, quantitative distinctions between higher and lower groups may be determined thanks to the introduction of absolute or relative thresholds: rich people are for example defined either as billionaires or as the top ten per cent fortunes.

Simple hierarchies and simple partitions: their three respective forms

Figures 1 display three forms of simple (unilinear and unidirectional) hierarchies: the basic two-level one, the extended one with more than two levels and the deepened one with prime and secondary separations. To get complex hierarchies, a horizontal hierarchy-free logic of equivalence or equal dignity must be introduced and combined with the vertical pure hierarchical one.

Non-hierarchies are basically flat partitions such as distinctions of autonomous fields, divisions among pairs, same level complementarity or substitutability. Figures 2 show three forms of simple partitions: the basic two-part split, the extended partition[3] with more than two parts (think of equal citizens) and the deepened one with prime and secondary oppositions (think of the market social division of labour)[4].

Three families of complex hierarchies: equivocal, arborescent, encompassing

i) The first family of complex hierarchies is made of diverging or *equivocal hierarchies*. Consider independent pure hierarchies involving the same elements. If the ranking is the same in any case, one gets parallel consistent or univocal hierarchies, or rather one basic hierarchic pattern generating several similar reflections (fig. 3a). If the ranking is not similar, one gets equivocal or inverted hierarchies (fig. 3b). Abstractly, a total reversal may be envisioned (fig. 3c), but also partial inversions, possibly with a constant high (fig. 3d) or with a constant low (fig. 3e). Socially, these equivocal hierarchies may be arranged or coordinated according to context: there are several inconsistent hierarchies but only one prevails in given circumstances, protecting social stability. One could

[3] This echoes the non-hierarchical model of rhizomatic organization developed by Deleuze and Guattari (1972).

[4] There are bakers and wine-producers (major opposition). But bakers may be bread makers or pastry makers and wine producers may be red wine growers and white wine growers (minor distinction).

speak of situation-dependent hierarchies or *situational hierarchies*, giving rise to specified actualizations in recognized contexts: "I rules J" under conditions A and "J rules I" under conditions B. Think of the king ruling in the worldly affairs down here but the pope dominating when it comes to ultramundane issues up there. Or think of the social hierarchy that prevails most of the time but is put upside down (in a non-revolutionary way) on carnival day[5].

A different kind of equivocal hierarchy has to be distinguished, when "I rules J" and "J rules I" do not prevail alternatively or exclusively but at the same time or in the same field. Such a circularity may degenerate into a logical impossibility or generate a transcendent or dialectical surpassing. One recognizes "*tangled hierarchies"* illustrated by Escher (as two hands drawing themselves). While situational hierarchies separate several top-downs, tangled hierarchies confront or merge the reversed top-down and bottom-up.

ii) The second family of complex hierarchies is made of multilinear or *arborescent hierarchies*. These hierarchies are univocal or consistent but operate following specific lines made of singular relations, typically personal dependencies from one superior to an inferior (fig. 4a). Formally, if the hierarchy is made of N levels, from the top number 1 to the bottom number N, then any element x belongs to some level n (= 1; 2; …; N) and this element x_{na} (item named a on the n^{th} level) has one specified superior, let's say $x_{(n-1)b}$, and some specified inferiors, let's say $x_{(n+1)c}$, $x_{(n+1)d}$,… This generic pattern draws hierarchic lines (or lineages) and defines clans as sets of elements having a common superior at some level. This structure is exemplified in traditional societies (…) or also in the feudal system based on the dependence relation of a vassal on his suzerain (fig 4b or also 4c for the pyramid-shaped tree version).

Even if they are stable and exclude ambiguities and overlaps, arborescent hierarchies may be either constantly actualised (non situation-dependent), or virtual (situation-dependent) – these two possibilities may actually apply to other types of hierarchies. What anthropology coins as 'segmentary societies' (one of the type of societies firstly organised by kinship) are examples of arborescent hierarchies that are stable but remain virtual outside the specific situations, which actualise segments of them, i.e. the levels and nodes that are link two elements x_{me} and $x_{(m+h)f}$. In 'segmentary societies', if there is some issue (e.g., transaction, conflict) involving x_{me} and $x_{(m+h)f}$, then the settlement involves the kin groups of x_{me} and x_{mg}, this element being the superior of $x_{(m+h)f}$ at this m^{th} level. Hence, the hierarchy is stable but includes a variable number of elements, as kin groups are modular according to the situation, depending on the ranks and lines of the elements which/who initially raised the problem.

iii) The third family of complex hierarchies is made of *encompassing hierarchies* displaying "*hierarchical oppositions"*. Hage *et al.* (1995) oppose them to "complementary oppositions" (which are the basic partitions of figure 2a), following Dumont (1966). The specific feature is here the "intermingling of levels" due to the double presence of an element that represents the whole at the superior level and just one part at the inferior level (fig. 5a). For Dumont, such a singular coexistence of identity and difference is less a logical ambiguity than a social ubiquity. He speaks of "encompassing of the contrary" and proposes a way to draw the case (fig. 5b that is here

[5] Or at critical points of the individual or institutional life-cycle: on 'sacred' kingships and rituals of reversal, see Kantorowicz (1957) classical study.

replaced by fig. 5a). Encompassing hierarchies may be depicted as quasi-trees (fig. 5c), but they are not exactly arborescent because of the twisting of levels. And being ubiquitous is not the same as being equivocal, as the latter involves several simple hierarchies in mutual contradiction while the former goes with one single complex hierarchy (compare 5a and 3b).

As for examples of encompassing hierarchies, Allen suggests the example of the word ‘man’ in English (or ‘*homme*’ in French), meaning humankind in general and also the non-feminine part of the species. The Aristotelian household displays this encompassing structure, with the identification of the whole house with the master, who is also one member of it, with his wife, children and slaves. So is the capitalist firm, with the capitalist as the proprietor at the overall upper level, while capital and labour are combined as complementary (or substitutable) production factors at the lower level of production.

Figure 1: The concept of hierarchy and its various forms

	Fig. 1a	**Fig. 1b**	**Fig. 1c**
Simple, vertical hierarchy	H L	H M L	H_1 H_2 M_1 M_2 M_3 L_1 L_2
	Basic hierarchy	Extended hierarchy	Deepened hierarchy
	Fig. 2a	**Fig. 2b**	**Fig. 2c**
Simple horizontal partitions	A B	A B C	A_1 A_2 B_1 B_2 C_1 C_2
	Basic partition	Extended partition	Deepened partition

	Fig.3a	**Fig. 3b**	**Fig. 3c**	**Fig. 3d**	**Fig. 3e**
Equivocal hierarchies	I I J J	I J J I	I K J J K I	H H I J J I	I J J I L L
	Basic	Basic	Total inversion	Partial	Partial

<table>
<tr><td></td><td>univocal hierarchies</td><td>equivocal hierarchies</td><td></td><td>inversion with constant high</td><td>inversion with constant low</td></tr>
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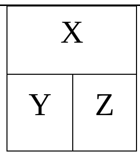
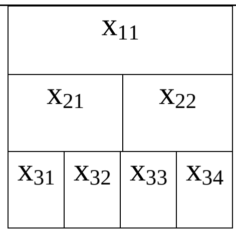
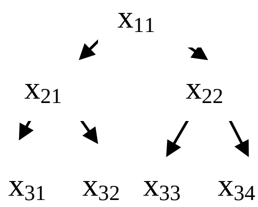
<tr><td>Arborescent hierarchies</td><td colspan="2"></td><td colspan="2"></td><td></td></tr>
<tr><td></td><td colspan="2">Basic arborescent hierarchy</td><td colspan="2">Extended arborescent hierarchy</td><td>Pyramid shaped tree</td></tr>
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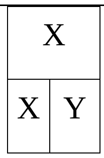
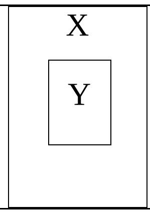
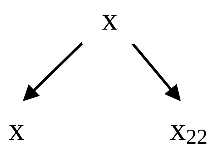
<tr><td>Encompassing hierarchy (or hierarchical oppositions)</td><td colspan="2"></td><td colspan="2"></td><td></td></tr>
<tr><td></td><td colspan="2">Basic encompassing hierarchy</td><td colspan="2">Encompassing hierarchy graphed by Dumont</td><td>Encompassing hierarchy as quasi-tree</td></tr>
</table>

The three types of complex hierarchies are synthesised in the following figure, which organise them according to their uni- or multilinear, and their uni- or multidirectional characters, as well as according to their specificities.

Figure 2: Synthetic table of complex hierarchies

	Uni- / Multi- linear	Uni- / Multi- directional	Specificity
Equivocal 1: situational	Multi (parallel lines)	Multi	Context-dependence
Equivocal 2: tangled	Uni	Multi	Paradoxical loop
Arborescent	Multi (spreading out lines)	Uni	Clan/lineage/kinship structuring
Encompassing	Uni/ multi	Uni	Intermingling of

			levels

Hierarchies of subordination vs. hierarchies dissociated from power

As it refers to vertically ordered positions that include ‘superior’ and inferior levels, highs and lows, the concept of hierarchy seems to inherently convey the notion of ‘power’ of the ‘superior’ on the ‘inferior’ ranks. Ranks can refer to statuses, classes and the like; power can exert within or across groups, it can be constant or situational. Such hierarchies, which convey top-down power relationships, may be coined as hierarchies of subordination (be they univocal, equivocal or any other type).

In contrast with conventional views, however, the concept of hierarchy is not necessarily associated with that of power. A hierarchy is neither a sufficient, nor a necessary condition for the existence of power. There are hierarchies that do not convey power relationships and do not imply subordination.

This is obviously the case of a-hierarchical simple partitions (an example being the social division of labour) (figures 2). This may be also the case of simple hierarchies (figures 1), when the relationship between levels H and L are constituted by other contents than power (e.g., capacity to generate resources, ritual competence and the like). Complex hierarchies may typically be dissociated from subordination relationships, i.e. in the two cases of equivocal hierarchies (figures 3) and encompassing hierarchies (figures 5). The possibility of partial or total inversions depending on given situations may be associated with some exercise of power within each situation. These hierarchies, however, may also strictly circumscribe any hierarchical link to a given domain in a context where social and economic life is made of a multiplicity of domains: a consequence is that no single domain allows for ‘full’ power on another individual (examples being some nomadic hunter-gatherer societies, or societies with ‘powerless chiefs’, or societies exhibiting a variety of chiefs with different competences and confining subordination to other spheres, notably within kin groups, e.g. from elders to younger age groups).

Similarly, encompassing hierarchies, where a same element X is present both at the superior and inferior levels, together with a non-X (i.e., Y) (fig. 5a), logically prevent the possibility of a power relationship between the ‘superior’ and ‘inferior’ levels, as well as between X and Y. Moreover, in encompassing hierarchies the content of the relationships between elements may consist of types of relationships other than power relationships: an example is the paradigmatic encompassing hierarchy - the hierarchy that underlies the reproduction of human societies -, where the element ‘woman’ (X) generates both the same element X and non-X, i.e., Y (i.e., ‘man’), but this production relationship is obviously not associated with any power of X on Y - indeed, in this example of a hierarchy of X encompassing X and Y, it is X who is the subordinated element.

Similarly, as hierarchy can be associated or not with subordination, the concept of the market may or not be associated with that of power: there is no market power in perfect competition but there is some (of some sort) in imperfect competition. Power is therefore a contingent attribute of the concept of hierarchy and of that of market.

3. Conceptualising the four regimes

Capitalism is analysed here via the distinction and discussion of four economic regimes or structures, which display specific hierarchical arrangements, as applied to a variety of fields or dimensions: the 'pure market' economy, the 'planned' or 'centralised' economy, capitalism, and the 'traditional' and 'feudal' economies. They demonstrate the specificity of hierarchy in capitalism, and hence contribute to the understanding of the concept of capitalism.

These regimes are heterogeneous: two regimes – the 'pure' market and the 'planned' economy - are purely economic, while the two others (the 'traditional' and the 'feudal') are socio-economic regimes – in such regimes, as highlighted by Polanyi, the economy is 'embedded' in social structures and norms. The paper's argument focuses on economic dimension of regimes, even if two regimes (traditional, feudal), as well as the capitalist regime, are specified by social criteria.

Figure 3: contrasting capitalism and the four other regimes

'Pure' market	'planned' economy	capitalism	'feudal'	'traditional'

Economic regimes Socio-economic regimes

A key point is that capitalism should not be confused with the concept of the market. Likewise, a capitalist economy should be distinguished from a capitalist society. The capitalist economic regime may coexist with diverse social structures - with 'traditional' or 'feudal' social structures, with social norms valuing individualism, emancipation, egalitarianism and mobility, or in contrast with memberships fixed by birth - Alesina and Angeletos (2003) thus contrast the social beliefs in the US regarding mobility and individual efforts as determining wealth, with the beliefs in Europe that birth determine wealth). Equally, the capitalist economic regime may exist within diverse economic structures, e.g., within industrialised, developing or poor countries (the US, China, Sub-Saharan African countries, etc). Likewise, economic capitalist liberalism may coexist with diverse political structures, e.g., democratic or in contrast illiberal political regimes, authoritarian polities or dictatorships. Similarly, regimes may exist *de jure*, or *de facto*, or both (Acemoglu and Robinson, 2006a, b).

Indeed, these regimes must be understood firstly as ideal-types. In the course of history as well as in modern societies, these regimes exhibit hybrid forms: 'pure' 'traditional' regimes may combine with capital accumulation and the use of money; feudal societies exhibited premises of social mobility that was provided by the possession of capital in medieval Europe with the Merchant Revolution as they do in modern times (India, for example, exhibit combinations of traditional, feudal and capitalist traits: members of the lowest groups fixed by birth – castes - may become entrepreneurs or politicians, yet with the support of specific public policies of affirmative action). Likewise, 'traditional' and 'feudal' societies exhibit forms of capital accumulation that are typical of non-capitalist exchange, e.g., gifts without counterparts in given ritualised situations[6]: these forms may stem from their organisation based on kinship and the ensuing precise calculations of reciprocal rights, obligations and debts (Mahieu, 1991), or from the conspicuous behaviour that consolidate patronage-client relationships and allegiances. The border is tenuous, however, where such forms would be 'filled' by capitalist 'contents', i.e. expectations of returns and strategies of capital accumulation.

3.1. The pure market economy

According to De Vroey (1987)[7], a market economy is firstly identified by the author(s) of economic decisions. As a genuine market economy is decentralised, it is based on individual decision making. Such an economy of micro-decisions and private contracts is opposed to a command economy, led by the macro-decisions of a unique center. In a market economy, the decisions of supply and demand come from "free to choose" individuals and the basic mode of economic relations between these independent agents is voluntary exchange.

A second criterion is to be introduced, still following De Vroey, as individual decision-making is necessary but not sufficient to characterise a market economy, which is secondly identified by the way independent economic choices are validated. A genuine market economy is an economy of individual initiative (market jump) to begin with and an economy of individual responsibility (market sanction) to finish with: it relies on the sequence "decision / execution / social validation" (*ex post* validation), as opposed to the sequence "decision / social validation / execution" (*ex ante* validation).

So a market economy displays decentralized decisions operated on separate markets and resulting in the synthetic validation (market success) or invalidation (market failure) of the decision makers. In such a pure[8] market society, exemplified by the Smithian economy of "primitive times" or by the Marxian model of "simple market production", there is no social (formal and qualitative) hierarchy but just a partition[9]: all individuals are equal, only differing through homogeneous differences in terms of market expectations (and bets), production specialisations (and technologies) and consumption preferences (or tastes). Yet such an economy shows an operational hierarchy: the tangled hierarchy between prices and quantities, quantities depending on taken prices and equilibrium prices depending on the equality between supplied and demanded quantities. Moreover, market power is typically restrained in pure market economies: it is expelled in perfect competition, where price taking comes from the absence of any market power; and it is limited in imperfect competition, where a relatively "big" agent (such as a monopolist) can influence the price but must respect the principle of voluntary exchange.

If the pure market system is not internally hierarchic, it may be argued that it is structurally dependent on the prior institution of money: a market economy is a

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[6] Such asymmetric behavior has been analysed in the well-know study by Mauss (1923/2007) of gift in traditional societies.

[7] De Vroey (1987), pp. 780-782.

[8] By "pure" we here mean strictly made of symmetric market relations, which for us excludes the asymmetric wage relation that structurally characterizes capitalism as an "impure" market economy.

[9] Apply the "deepened partition" (see fig. 2c), with A's, B's and C's as bakers, wine makers and cobblers.

monetary market economy[10]. First, this economy rests on the nominal basis of monetary quantification through the unit of account. Individuals are socialized as dollar account holders and they pay and are paid by monetary flows. Second, a pure market economy is based on the principle of monetary mediation by the general equivalent. A market economy is a monetary economy of markets: commodities are recognised as objects traded for dollars (on their proper markets) and prices are basically absolute monetary magnitudes (market prices). Third, individual initiative requires the ability to autonomously spend (market jump) and individual responsibility implies the possibility of an unbalance between incomings and outgoings (market sanction). The universal monetary access and its other side, the universal monetary risk, together express the homogeneity of the market society.

As one jumps from the market approach of money to the monetary approach of market, the disembeddedness of the economic scene is questioned. Monetary circulation is free, but individual monetary initial access and final balance are controlled by a monetary system made of rules (from horizontal conventions to vertical laws). When developed and complex, the monetary system is hierarchical and topped by some kind of a legal authority: the central bank supervises commercial banks. So, broadly speaking, the political state consistent with a pure market economy does not only let the entrepreneurs do ("laissez faire") and punish the killers, the thieves and the crooks (minimal state): it also takes care of, or just keeps an eye on[11], the monetary system. At last, as a pure economic model, the market economy does not imply a specific political system. But it may present a presumption for democracy, because of the parallel between pair economic traders and equal political citizens.

3.2. The centralised economies

A centralised economy is an economy relying on a central agency. This basic definition embraces two different kinds of economic institution. On the one hand, a central coordination is operated, which is displayed by the Walrasian model. On the other hand, a central action is implemented, which is typical of command economies. So one may distinguish individualistic planning and authoritarian planning, both being criticised by Hayek for efficiency problems (they have to compute too many pieces of information to be effective) and political reasons (they hinder or end individual liberty).

"Individualistic planning" sounds like an oxymoron, expressing the duality between decentralised decisions and centralised coordination. The *tâtonnement à la* Walras and the recontracting *à la* Edgeworth display two general bargaining processes only closed when a unanimous agreement is reached. The organisation of the *tâtonnement* as an iterative mechanism is strictly specified: agents take prices from the auctioneer and communicate their optimal exchange wishes under these prices; the price-making agency either records a general disequilibrium and so changes the prices (mimicking the law of supply and demand) or discovers a general equilibrium and so allows actual exchanges at these equilibrium prices. The tangled hierarchy (between prices and quantities) displayed by this process expresses the duality of this decentralized-centralised model: the price taking behaviour shows a top down move but the

[10] Such a statement does not make sense for theories of values: it expresses the theoretical choice of a monetary heterodoxy. See for instance Cartelier (2007) for a monetary vision of the market economy.
[11] When the central bank is a public agency independent from the government.

communication of exchange wishes reveals a bottom up shift. Specifically, the search of a fixed point operated by the *tâtonnement* takes place in the suspended time of virtual disequilibrium, social validation preceding execution.

"Authoritarian planning" expresses the unambivalent nature of an economic organisation resting on centralised command, according to the sequence: "higher decision / order / lower execution". The comprehensive plan about the general allocation of resources is implemented by consistent orders given to the multiple economic units. Collectivist or dictatorial vertical subordination is substituted for individualistic horizontal coordination: the hierarchy is structurally a simple one or an arborescent one. The top down move rules, the only bottom up process being an informational feedback, about the *ex post* production achievements. A feedback from the basis to the center about the *ex ante* consumption needs is also possible, when the supreme authority intends or pretends to defend the superior interest of the people, as it used to be proclaimed in the case of USSR[12].

Whatever the specific institutional arrangement, the planning authority is a kind of government agency: it is strongly related to the political power. The weak Walrasian version of central planning may be consistent with a democratic regime, but the strong Soviet version of it displays an association with dictatorship, as imposed and enforced orders replace economic individual freedom. Let us finally notice that money is not strongly necessary in centralized economies: an essential coordination device for market economies, it is replaced by some coordinating auctioneer in Walrasian-like worlds and it is basically pointless in Soviet-like worlds that supposedly get rid of horizontal coordination issues.

3.3. The 'traditional' regime

In 'traditional' regimes, hierarchies stem from exogenous, *ex ante* mechanisms, i.e. birth: for a given individual, her/his position stems from her/his membership of given kin groups, and her/his rank within them, which ensue from birth[13]. Traditional' regimes are therefore characterised by the crucial importance of the concept of group membership, and the exogenous character of memberships and ranks within hierarchies. This contrasts with memberships in modern capitalists societies, where memberships result from endogenous social interactions and mechanisms - stemming from location, education, initial endowments, 'social capital', which in turn determine the level of provision of public services, which in turn determine individuals' initial endowments (Schelling, 1978; Durlauf, 2002; Durlauf and Young, 2001, segregation processes being well-known examples).

Hierarchies here are socio-economic phenomena, as, in the first place, they constitute statuses - 'chiefs', 'commoners', 'elders' -, with these statuses opening specific entitlements to certain resources (goods, services, individuals, e.g. women and hence future resources). In addition, hierarchies based on birth and kinship organise interactions within groups and across groups, e.g. the relationships with other groups (those with which to exchange, or in contrast those with which to conduct war, and the

[12] The alternative case (or the informal reality behind the official declaration) being the diversion of economic resources for the good of the dictator (or of some *nomenklatura*).

[13] Or birth-like membership, e.g. assimilation into a kin group, adoption and the like.

like). Within-group hierarchies may exhibit some degree of egalitarianism – e.g., hunter-gatherers.

Hierarchies here organise ordered and fixed ranks: the latter are not modifiable and are not of a contractual nature, as they stem from birth and the subsequent status this gives to an individual (the ‘enduring’ ‘caste equilibrium analysed by Akerlof, 1976). Membership is given by kinship and territories: it is a given, a non-negotiable initial endowment, and not an asset that can be exchanged. In these domestic economies hierarchies develop across kin groups, usually through the criterion of age – time pre-eminence that translate in space: e.g. pre-eminence of the first conquerors lineages – and within kin groups – pre-eminence of elder individuals on the younger ones: inequality is generated by hierarchies of positions within households and within groups created by birth - e.g., higher status such as ‘chiefs’, ‘elders’, or lower statuses conferred by certain occupations, such as blacksmiths, etc. Within memberships groups, the two discriminants of gender and age introduce additional fixed and exogenous hierarchies. In a historical/evolutionary perspective, about 9-8000 years BC, in Neolithic societies, the first hierarchisations of social groups appeared with specialisation (with sedentarisation and agriculture, which allowed for storage and storehouses), e.g., farmers, soldiers, shepherds, etc. This laid the foundations of inequality in production and distribution of surplus and its institutionalisation since then (Bowles, 2006).

The mechanisms of regulation and flexibility are here *ex ante* social rules organising kinship and membership (‘us’ vs. ‘them’, to whom no rule – or different rules – apply) and the manipulation of memory as the absence of writing limits the storage of information. Traditional societies illustrate the fact that hierarchies may not include subordination or power, as for example for some nomadic hunter-gatherer societies. As argued by Sahlins (1972) or Clastres (1974), some societies may be stateless and even ‘societies against the state’; they exhibit horizontal partitions (typically created by kinship, territorial ancienty – ‘autochtony vs allochtony- or ritual specialisation), equivocal or encompassing hierarchies, with as a key feature that no single individual can claim power on another that would be legitimated by an institutionalised hierarchy. Regulation is secured by social and religious norms. In traditional societies, there is no ‘third party’ such as in feudal regimes and the other regimes including states: *de jure* principles of regulation are based on endogenous norms enforcement and punishment by group members (Kurzban, 2005), ‘strong reciprocity’ (Bowles and Gintis, 2011), and customary collective property and use rights (Ostrom, 1990).

On the other hand, in traditional societies, power, and similarly, wealth, ensue from the ex ante and exogenous possession of a status, which is typically generated by birth. Hence, it is the hierarchies that ‘cause’ the capacity to exercise power. Power in turn contributes to the strengthening of social norms: hierarchies and membership norms are self-reinforcing.

In traditional societies, production is typically agricultural, and determined by kinship: members of the production unit are members of a given kin group, with allocation of resources organised by kinship rules and hierarchical positions within the kin group. Accumulation is based on the possession of assets such as kin and land. Such a regime may be qualified as qualitative and discrete (heterogeneous statuses and memberships). In addition, the ‘traditional’ time of agrarian societies, driven by cycles, is the antonym of history, and tradition is by definition backward-looking. Traditional hierarchies are 'gemeinschaft' hierarchies in the Weberian sense.

These societies are typically 'collectivist', which is a mode of organisation that persists in feudal and pre-modern societies, such the well-known case of the merchant guild analysed by Greif (1994): social norms, and above all religious norms, organise the dilution of individuals in their membership group, in contrast with the possibility of emancipation and individualism created by capitalism.

3.4. The 'feudal' regime

The 'feudal' regime is an example of equivocal hierarchies, as shown by the empirical cases of castes systems, or the European medieval and pre-enlightment societies. The latter were coined 'orders' societies. Duby (1978) thus analysed the three 'orders' that organised the French medieval feudal society: those who pray; those who fight, and those who work, and Dumezil (1968) underscored the trifunctionality of Indo-European societies: sovereignty/sacred; war-making; production and reproduction. In the case of the first two orders, "I rules J" and "J rules I" prevail alternatively depending on the situation and domain – religion and war – although simultaneity in time and space could be possible: in this case, brute power and force may rule *in fine*[14]. In the French 'Ancien regime', the church and the aristocracy were subordinate to the other according to the situation. As for traditional societies, hierarchies within groups and 'orders' are stable, ranked, and include unidirectional subordination (or arborescence), while relationships across groups may be situational and unstable – linked to and actualised in given situations. Feudal hierarchies tend to be partially equivocal, as the order of producers/farmers (the French 'ancien regime' '*tiers-etat'*) is constantly in the lowest position.

However, the categories of the sacred/secular (or pure/impure) respective positions in pre-modern orders (e.g., the Indian system of castes) are ambiguous: these hierarchies that include sacred kings/aristocracies/warriors/priests may be examples of Dumont's encompassing hierarchies (from the 'pure' or the 'sacred' stem both the 'sacred' and the 'secular' or the 'impure').

'Feudal' regimes exhibit specific types of hierarchy. As in the 'traditional' regimes, hierarchies are generated by birth (e.g., castes or 'orders'); membership is given by birth and is an initial endowment; it is not an asset that can be exchanged. Similarly, it is the status in these hierarchies that 'cause' the capacity to exercise power. The mechanisms that regulate the exercise of power are social rules organising reputation and conformity to status (e.g., honour), together with common norms across statuses provided by a centralised religion.

Principles of regulation (e.g., punishment, coercion mechanisms) may be *de jure* or *de facto*. *De jure* principles of regulation rely on the increasing importance of writing, and hence on written rules, and on social orders grounded on religion, i.e. a third party such as the Church. In feudal societies, in contrast with capitalism, the state is not the key *de jure* principle of regulation, the meta-entity above social hierarchies that grounds its ability to credibly commit (Acemoglu, 2002). *De facto* principles of regulation include

[14] As in the Sun Tzu parable, where the Emperor *in fine* has the power to decapitate all his wives.

peer pressure (within orders) and top-down violence: the feudal regime is transitional and this violence is at the foundation of the modern state and a premise of state violence (Tilly, 1990). Feudal regimes used both taxation and predation (Olson, 1993).

Simultaneously, however, this regime includes contractual arrangements, e.g., allegiance (within higher status peers) or share tenancy contracts (for peasants), which have been viewed as efficient as wage labour, and premises of it (Otsuka and Hayami, 1988). Non-contractual orders grounded on birth (aristocracies, serfdom) thus coexist with contractual hierarchies.

Feudal systems are mixed or transitional regimes in many dimensions (see table below): for example, in ancient East Asia hierarchies created by birth, aristocracy membership, also determined access to many hereditary privileges, e.g., certain imperial exams, i.e. the opening of prospects for mobility was reserved to individual that were already in the highest ranks: but this coexisted with meritocratic systems, where the prospects for mobility created by access to imperial exams was open to all, with as an outcome the consolidation of state institutions and uniformisation of social norms.

Property is not guaranteed by contract, but by birth and through war. Accumulation is based on possessions given by birth - possession of land[15] and the workforce attached to this land, the serfs - and on extractive tribute from them; accumulation is also based on war, including inefficient predation when aristocracy members do not make any intertemporal calculus. Such a regime may be qualified as qualitative, but it relies on both tradition and history (wars) and is both backward and forward-looking.

Feudal societies included the premises of the Commercial Revolution, hence capitalism: the merchant guilds laid the foundations of the capitalist labour contract and of wage labour in urban settings. The Commercial Revolution witnesses the emergence of merchants before the state, with principles of regulation such as reputation being instrumental for increased efficiency (Milgrom *et al.*, 1990), instead of honour or religious norms as in feudal regimes.

Table 1: the five (ideal-type) structures

	Economic models			**Socio-economic regimes**	
	'Pure' (conceptual) decentralised market economy	**'Pure' (conceptual) planned, command, centralised economy**	**Capitalism**	**'Feudal' regime (transitional)**	**'Traditional' regime**
Hierarchy criteria	No structural hierarchy: horizontal partition	Full structural hierarchy: vertical command by a central authority	Endogenous hierarchy, but exogenous endowments Market coordination and firm	Exogenous, ex ante hierarchy Membership by birth, exogenous	Exogenous, ex ante hierarchy Membership by birth, exogenous allocation of

[15] 'Feudal' comes from 'fief', territory.

			subordination	'ascription' (aristocracy) Oligarchies, in modern contexts, both exogenous and endogenous	statuses (men/women, elder/younger, kin/non-kin...)
Interactions between individuals	Impersonal relationships Exchange contracts	Impersonal relationships Orders	*Gesellschaft* Impersonal relationships Exchange and labour contracts	*Gemeinschaft* Personal relationships Allegiances, dependence Statuses	*Gemeinschaft* Personal relationships Dependence Statuses
Social divisions	Social division of labour	Dictatorial or bureaucratic leadership	Classes Separation, autonomisation of an economic sphere	'Castes', oligarchies Primacy of the political and religious spheres	Partitions (divisions) Intra-group unequal integration Inter-groups horizontal divisions
Principles of power	Internal market power	External political power	Monetary, purchase power	Military Tribute Allegiances	Membership, kinship norms instituting rights and obligations, organising access to dependents, land, occupation...
Production relationships	Artisan production	Collective production	Wage labour	(Transitional) Serfdom and predation, but also share tenancy contracts and urban proto-wage labour	Household production, including kin and slave labour
***De facto* principles of regulation** ***De jure* principles of regulation**	Prices	Command	Reputation (merchants) State credibility The 'third party': the state (rule of law), impersonal Weberian	Honor, peer pressure (within orders), top-down violence, reputation, rights on men and land The 'third party': the Church (regulation by religion and by	'Tradition', unwritten, customary rules, rights on men and land No 'third party': endogenous punishment by group members

			public institutions Taxation, written rules, constitutions Contractual rights, typically. property rights, wage contracts	social ‘orders’) Taxation and predation, written rules Property not by contract, but by birth and through war	Customary collective property, use rights
Determinants of wealth **Forms of wealth**	Productivity and marketability Commodities	Overall efficiency Goods	Productivity (increasing returns) Movables (money), capital accumulation	Transition: from Malthusian traps (land) to Commercial/ Industrial Revolution Immovables (land, dependents, serfs), statuses, political power	Malthusian trap Kin, dependents and entitlements to resources (e.g. land)
Principles of evolution	Spontaneous economic change Competition	Enforced economic change Voluntarism	Mobility and reproduction (partial liquidity) Competition and innovation	Birth membership Weak backward and forward orientation	Birth membership Strong backward orientation
Historicity and spatiality	Preference and technology changes N.A.	Planning (forward looking) Territoriali-sation	Innovation (forward looking) Deterrritoriali-sation	Tradition Territoriali-sation	Tradition Territoriali-sation

4. The specificities of capitalism: hierarchies, markets and power

This section shows the specificity of capitalism in regard to hierarchy and power. It relies on the various forms of hierarchies that were highlighted in the section 2.2 in order to show that the capitalist regime is characterised by a variety of hierarchies, which are monetarily structured.

While the pure market economy is non-hierarchical and basically monetary, and while the traditional regime is hierarchical and not essentially monetary, the capitalist society displays monetary hierarchies, some qualitative and some quantitative, all of them partly mobile and partly inert.

Traditional and feudal regimes can be contrasted with capitalism via a key mechanism: in the capitalism regime, wealth 'causes' power; while in the feudal of traditional regimes, rank and power 'cause' wealth.

There are commonalities across regimes, for example in the 'traditional' and the feudal' regime, while the feudal regime exhibits common features with capitalism, and is therefore in many regards a 'transitional' regime. Likewise, socio-economic regimes such as the 'traditional' and the 'feudal' ones produce 'hybrid' forms that may combine with capitalism.

4.1. From the monetary institution of capitalism to the monetary hierarchies of capitalism

As the institution of the pure market economy, the institution of capitalism is monetary. The monetary bases of the two economies are partly identical and partly different.

The capitalist economy shares with the pure market economy two basic monetary features. First, both economies rest on the nominal basis of monetary quantification through the unit of account: individuals are socialized as dollar account holders. Second, both economies rest on the principle of monetary mediation by the general equivalent: commodities are recognized as objects traded for dollars.

Beyond sharing these two working general principles, the pure market economy and the capitalist economy differ in the structural distribution of monetary access and in terms of individual motives.

In terms of structural economic organisation, the representation of a pure market economy requires an autonomous spending capability granted to all agents, this universal monetary access expressing the homogeneity of the market society. The monetary representation of a capitalist economy substantially modifies the distribution of monetary autonomy, restricted to capitalists. This divide between independent spenders and dependent ones expresses the heterogeneity of the capitalist society, its basic qualitative hierarchy (see 4.2.), its major socio-economic split.

In terms of a psychological economic profile, it is not necessary to introduce the desire for money to capture the specific features of the market society, since these features can simply be represented by the mathematisable principle of utility or by the anthropological principle of need. The introduction of unlimited desire for money is moreover necessary, as the subjective driving force of the process of accumulation (beyond the structural logic of capital and the competitive constraint pushing every capitalist to invest): the frantic and indefinite search for profit and for its increase by re-investment surpasses material interest and ultimately obeys the chrematistic passion defining the capitalist spirit.

4.2. The capitalist hierarchic structure: the wage relation

The first and basic capitalist hierarchy is the qualitative structure involved in the *wage relation*. One here assumes that a capitalist society displays some specific asymmetry between a group or a class of capitalist employers (profit earners) at the top and a group or a class of salaried employees (wage earners) at the bottom. Inside the capitalist firm, this asymmetry is embodied as an encompassing hierarchy: the capitalist is the owner of the firm at the overall upper level, while capital and labour are combined as even factors at the lower level of production. There are actually three possible ways to represent this typical employer-employee relationship: two real ones (a neoclassical vision and a classical conception) and a monetary one.

The neoclassical vision upgrades the wage earner as if she/he were the equal of the capitalist entrepreneur, which denies the fact that the former obeys the latter inside the company. In this pure (or free) market line that can be displayed in Walras, the wage relation is not seen as specific and is treated as a typical exchange between independent, free and equal individuals. The classical vision downgrades the employee as a slave or an inert input for the employer, which denies the fact that the former is able to freely spend her/his income. In this quasi-feudal line that can be found in Ricardo[16], the wage relation exhibits a strongly vertical relation between "masters and servants".

The subtlety of the wage earner condition is missed by the too symmetrical neoclassical view and the too asymmetrical classical view. A third vision of the wage relation is possible, on a monetary basis and in a post-Keynesian spirit[17]. In this line, the ability to spend autonomously is restricted to capitalists only, wage-earners being defined by their monetary dependence. Capitalists determine the employment level and they "earn what they spend". Wage earners supply the quantity of labor demanded by the entrepreneurs and they "spend what they earn". Such a monetary view of the wage relation might appear as more balanced or appropriate.

If one defines exploitation by the fact that only a portion of the total product is appropriated by workers, then it appears that exploitation is excluded in a pure market economy: every independent worker gets all the receipts of her/his sales. In the neo-classical vision of capitalism, exploitation exists but is dissolved by two basic principles, a productive one and a distributive one: the constant returns to scale ensure the absence of a residual and the remuneration of any factor according to its marginal productivity ensures a fair general distribution. The classical vision of capitalism carries a real concept of exploitation, as a physical part of the products of labour taken by the capitalists, which echoes the feudal capture of a part of the peasants's production by the lords and the priests.

The Keynesian vision of capitalism promotes a monetary (and more systemic) conception of exploitation. As put forward by Cordonnier and Van de Velde (2009), the deduction on the labour products does not take place on the labour market (where monetary wages are paid) but is determined on the goods market. The distribution of production between capitalists and wage earners is not operated in kind when workers are paid, but through monetary expenses when production is purchased. Real production is brought on the goods market and is split between two kinds of monetary expenses: one for investment and the other for consumption. The way a given production is split eventually depends on the level of the autonomous investment expenditures, consumption expenditures depending on paid monetary wages.

[16] On the Ricardian vision of the capitalist economy (involving a class division), see for example Bidard and Klimovsky (2006, p. 16) or Foley (2006, pp. 76 and 77).
[17] See Benetti and Cartelier (1980).

4.3. The capitalist hierarchical ranking: income and wealth

The second capitalist hierarchy is the monetary ranking of individuals (or households). This quantitative scale may be expressed in terms of income (certain flows) or in terms of wealth (certain stocks). In both cases the qualitative aspects are erased: any income comes down to an amount of dollars, whatever the kind of income (property or/and work); and any patrimony or capital comes down to an amount of dollars, whatever the elements of patrimony (movables or/and immovables).

The uniformity of the monetary unit of account may suggest that economic society is like a continuum and that economic inequalities may be weak or strong, but are just relative and quantitative (the rich just have more money than the poor). Such an impression is not purely ideological, but has to be qualified or balanced, as the qualitative aspects of capitalism, especially the individual economic status and the corresponding type of income, matter.

The flow scale and the stock scale are related and evolve together through time. For a given individual, let's name W_t her/his wealth at t (beginning of the period t) and W_{t+1} her/his wealth at t+1 (end of the period). In the period, $Y_{t/t+1}$ is the income, $C_{t/t+1}$ gives the consumption expenses and $S_{t/t+1}$ corresponds to the savings. As $Y_{t/t+1} = C_{t/t+1} + S_{t/t+1}$, one obviously has $W_t + Y_{t/t+1} = C_{t/t+1} + W_t + S_{t/t+1} = C_{t/t+1} + W_{t+1}$. This equation expresses that the making of wealth comes from the accumulation of the non-consumed parts of the successive incomes (and also from possible inheritances). So the stock of wealth is made by the flows of income. But in the case of property income, flows of income are made by the stock of capital (defined as the productive part of wealth creating some interest income). Such a process displays a tangled hierarchy or circularity.

Beyond the consumption-saving arbitrage, the evolution of the quantitative capitalist hierarchy rests on two elements. On the one hand, the valuation of patrimony is moving (even if the structure or the volume of patrimony is constant) because the asset prices are evolving, in relation with the interest rate(s) and the inflation rate. On the other hand, incomes move according to the current situation, in relation to two specific structural uncertainties. Capitalist entrepreneurs take market risk, meaning market sanction applies to their uncertain incomes. Salary workers may benefit from more stable wages but they face the risk of involuntary unemployment.

It is therefore conceivable that a capitalist may become a wage earner, if her/his cumulative deficits lead to bankruptcy[18], and that a wage-earner may become a capitalist, through her/his saving efforts (and social network). An important conclusion follows: it is not that the capitalist hierarchies are totally flexible and random (they actually display a certain degree of inertia); it is that they are not once and for all determined from the beginning: capitalist hierarchies are not *de jure* hierarchies by birth.

This feature of openness of capitalist hierarchies is also shown by the possibility of being a capitalist and worker at the same time, either in the remaining case of an independent worker earning a mixed income (from both property and work), or in the contemporary dual case of a salary earner besides detaining some capital and so earning labour and property incomes. Nonetheless a capitalist society may be more segmented

[18] One may also consider a rentier ruined by a drastic fall in the asset prices and in property incomes.

and even polarised between a class of pure capitalists owning all the capital and a class of pure wage earners *de facto* obliged[19] to sell their workforce, as in the 19th century Western industrial capitalism documented by Marx.

4.4. Economic wealth and political power: leashed and unleashed capitalisms

The monetary determination of capitalist hierarchies defines capitalism as a type of economic society. Following Polanyi to a certain extent, one could say that capitalism operates a division between economic affairs and political affairs. It also reverses the traditional causality between power and wealth.

The relation between business and state is a complex interdependence. The mercantilists understood that capitalist development may favour political power and, as Smith added, general social welfare. At the same time, capitalist business is favoured by political stability and judicial guarantees. Braudel has shown that the old relations between capitalists and political rulers have been very diverse, made of cooperation and conflict.

Likewise, in terms of regimes, nothing general can be strongly asserted about capitalism and democracy: it is a possible but not a necessary association. In Europe and the USA, the developments of economic and political freedoms have been linked. But contemporary China shows that this association is not a necessity.

About the general links between economic wealth and political power, two opposite models may be distinguished. A leashed capitalism would be featured as a pattern of strong political autonomy and of effective rule of the law. And an unleashed capitalism would correspond to the purchase of political power by economic wealth (through campaign financing in an oligarchic democracy) or to the jumping of capitalism out of political territories (when states remain national but the economy becomes global).

5. Conclusion

As an economic system, capitalism mixes decentralised exchange on markets and centralised production in firms. Beyond price and authority regulations, the institution of capitalism is monetary and capitalist hierarchies are based on money: the qualitative wage relation rests on a monetary dependence and the quantitative wealth ranking relies on a monetary unit.

As a type of society, capitalism is neither *de facto* egalitarian nor *de jure* non-egalitarian. It is not a society of equal freedom, as it may display big inequalities in individual initial endowments; but it is not either a closed society where individual positions would be essentially and definitively determined by birth.

As accurately expressed by the Schumpeterian oxymoron of ‘creative destruction’, the dynamic nature of capitalism makes it multiform and ambivalent.

[19] Such a necessity (to ensure survival) follows the individual absence of capital property, but also the social absence of kinship or group solidarity and the political absence of a welfare state.

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