POLITICAL ECONOMY, NEGOTIATIONS, POWER AND EMPOWERMENT

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The present issue of the *Journal of Australian Poltiticl Economy* is devoted to an examination of the breadth of heterodoxy in economics, that is to the range of perspectives on economic issues (production and its growth, exchange, the distribution of income) that differ from the orthodox or mainstream perspective. This orthodoxy is essentially what is known as neoclassical economics. What are generally understood to be the heterodox perspectives are non-neoclassical, including different approaches within 'surplus-orientated economics' (Butler, 2002; Baranzini and Scazzieri, 1986)[1]. The latter share a concern with human agency as well as structure, and with the power of human agency. The more a perspective emphasises the exercise of power in social relations the more it represents not only heterodoxy but, more explicitly, political economy in one or another of its variants. The genesis of a variant of political economy may be classical political economy, Marxian political economy or more contemporary (for example, in the cases of post-Keynesian economics, the *Monthly Review* strand of Marxism, 'old institutionalism'/evolutionary economics, feminism, ecological economics, etc). These different elaborations of political economy are all opposed to the neoclassical view that people can be understood as sovereign individuals whose interactions are essentially mediated by markets.

In this brief article I present a case for making the study of negotiations and bargaining power central to the further development of political economy. I take it that in actually existing capitalist economies (i) there

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1 Some recent approaches such as behavioural economics and experimental economics are different but are not within what is generally thought of as heterodox economics.

are individuals, corporations and other organisations[2] of varying degrees of power to secure their interests and (ii) that such agents' dealings with each other are governed by a host of institutions, which include markets but are not dominated by them[3]. Moreover, I argue that transactions are generally not comprehensible as interactions typically regulated by auctioneers, as posited in neoclassical theory, and cannot be summarised in the one term 'price'. Transactions are accomplished typically through negotiations which take time and must canvass many terms. Transactions are thus typically complex. The process of arriving at a deal is a process of negotiation between two or more parties, in the course of which parties exercise bargaining power. This power is multi-dimensional and constantly in flux. To understand the bases of bargaining power and the processes of negotiation is the stuff of political economy. The study of the accretion and use of bargaining power in negotiations can provide an understanding of the way in which modern varieties of capitalism are shaped and driven. It can also provide an understanding of how small stakeholders can seek to intervene and the language in which they can most effectively do so. It can thereby empower. Ultimately it recognises that the working of modern varieties of capitalism is, for this as well as for other reasons, deeply contradictory.

Markets, Price Formation and Contracts of Exchange

In the neoclassical conception of a free market, no one buyer nor any one seller can dictate the terms of a contract of exchange between the two. A deal is struck between a buyer who has many sellers from among whom to choose and a seller who has similarly extensive choice. The many competing buyers and the many competing sellers ensure that the terms of contracts of exchange reflect general conditions of supply and demand. An auctioneer, real or virtual, takes bids from competing buyers, who operate on an equal footing. In principle all of the normal terms of contracts of exchange are variable, although in practice some terms may

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2 Clegg (2003) states that '[a]ll forms of organization are forms of organization of social relations'. A little more specifically, organisations are more or less formally constituted groupings of people that are vehicles for collective human agency in the pursuit of more or less definite purposes.

3 See also 'Contracts on the Political Economy of a Nation' (Butler, 1990).

be stipulated in advance and only the price at which an exchange takes place may be determined in the auction *per se*[4]. The price is formed in an impersonal manner, in the sense that no individual participant in the bidding has the power to manipulate it and there is no collusion between bidders. (In the language of simple conventional economics, all participants are 'price takers'.) In the case also of a purchase put out to tender, the terms of the eventual purchase may be thought to have been impersonally determined, again in the absence of collusion.

That terms of contracts other than price may differ does not necessarily disturb the notion that the highest bidder wins the contract. In principle all terms of contracts can be the subjects of bidding. So, for example, if a seller offers to sell at $10 and to deliver in six months' time, while a second seller offers $9 but a delivery date three months later, prospective buyers are able to weigh the different terms of a potential contract and press to change them in relation to each other. On the other hand, the more complex a contract, the less easily are contracts compared, the less likely that all terms are clear and the less likely that the contract as a whole is transparent. Moreover, the more complex a contract the greater the chance that it will be 'incomplete' and the greater the transaction risk.

When it comes to recognising collusion, mainstream neoclassicism makes only a very limited contribution. Colluding buyers or sellers can jointly force the opposite parties to accept the terms they choose, within some limits (such as not forcing all of the opposite parties out of business), just as sole sellers or buyers can. In that case, the impersonality of price formation (contract determination) is replaced by calculated coercion of buyers by sellers or *vice-versa*. Neoclassical economists have been fairly doggedly unwilling to delve into such behavior, except for: (i) attempting to identify how prices in transactions involving colluding parties or sole suppliers and buyers can be understood in terms of game theory; and (ii) exploring the notion of price leadership in oligopolistic structures. They have preferred to abhor colluding and domineering behavior, to urge that it be outlawed, and to stress the need for 'contestability', instead of confronting the fact that coercive behaviour endures and that, since time immemorial, opposite parties have cooperated to countervail the behaviour (Galbraith, 1977).

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4 In some auctions, in the auction of a house for example, if the reserve price set by the seller is not met, changes in other terms of the contract may be negotiated along with the purchase price.

Where there is in fact or in effect a sole buyer (or seller) that party to a prospective deal may refuse to negotiate. Thus one party may say to the other: ‘these are my terms; they are non-negotiable; take the deal I am offering or leave it’. In the medium term the coerced party may be able to pursue a ‘flanking’ negotiation. So, faced with a sole trader or a cartel, an opposite party may encourage / negotiate with some company in a related activity to enter the field as an alternative regular buyer or seller. Or a group of sellers facing one buyer may appeal to a commitment made by the state in its ‘competition policy’ to regulate the buyer’s industry to ensure that the buyer’s market position is contestable. Today’s circumstances of the internationally mandated removal of restrictions of international trade and of corporate capacity to bid across national boundaries tend to undermine outright ‘monopoly’ and ‘monopsony’ positions.

Complex Contracts, Negotiations and Power

Where a contract is simple, the exchange is quick. A simple contract can be concluded by an auctioneer and a clerk. The terms of the contract, apart from the price, are set down before bidding occurs and implicitly are mutually accepted. One can think of cattle sold at a country saleyards. A piece of equipment offered at a clearing sale can also be exchanged quickly. Even a supermarket buyer can conclude a deal with lettuce-growers or other ‘contract farmers’ quickly in so far as the commodity is specific and the parties to the exchange have developed conventions in regard to various non-price terms of the contract, such as how to deal with weather damage. Quick contracts also characterise sales of tools and straightforward equipment that can be bought ‘off the shelf’. However, take, by way of contrast, a purpose-built plant, or fragile ‘state of the art’ equipment that has to be maintained meticulously, or the supply of vehicles to a large company that maintains a large fleet. In such cases there are many terms that may vary. The terms of a contract may include, for example, the delivery date and penalties for late delivery, servicing the plant or equipment after the property is exchanged, the schedule of payments and the rate of interest that may be charged for deferred payments, and the supply of replacement parts, warranties and insurance against the breakdown of the plant or equipment. For the fleet owner, warranties and road service and the terms of replacement of vehicles at some time in the future may all be important considerations. All of the terms just mentioned are negotiable.

Where the deal is not simple or easily *simplifiable*, the exchange between a buyer and a seller is subject to time-consuming negotiations. That is to say, it is negotiated in the normal sense of the term, not in the sense in which a buyer in a market visits several stalls, claims to a particular stall-holder that s/he can find an item for less just down the same row of stalls, and proceeds to 'haggle' – that is, by means of some theatrics to persuade the particular stall-holder to sell at the lower price[5]. Where the contract of exchange contains many terms (that is, it is complex), the negotiations may be tough and commensurately time-consuming.

Up to this point nothing has been said that does not fit within the purview of New Institutional Economics (NIE), whih is declared by its proponents to be committed to bringing the development of institutions within the logic of neoclassicism. Contracts have been a pre-occupation of NIE for over half a century (Brousseau, 2008), as have been the enforcement of contracts and the efficiency of bargaining over the terms of contracts (Joskow, 2008). NIE has concerned itself with informal or formal institutions which reduce risks (associated with incompleteness of contracts, for example) and thus costs of transactions. However, there is silence when it comes to bargaining power exercised in negotiations and the balance of power represented by a contract[6].The bargaining strength of parties negotiating contracts is of little concern (except in so far as bargaining strength reflects the degree of rivalry among parties seeking to enter negotiations with opposite parties)[7].

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5 Much of the discussion of bargaining in the literature, other than that which deals with game theory and Nash equilibria, is about 'narrative' theories of bargaining which, while fascinating, focus on handicraft markets in developing countries (see Muthoo 1999).

6 In *New Institutional Economics; A Guidebook* (Brousseau and Glachant, 2008, for example, there is no entry in the index for 'bargaining' or 'bargaining power'. Likewise, in *The Oxford Handbook of Organization Theory* (Tsoukas and Knudsen 2003) there is no entry for these terms, even though Clegg in Chapter 20 expressly acknowledges that all social relations involve power relations' (p. 537).

7 Having said that, it is interesting to note that Douglass North (2005), one of the pioneers of NIE, has acknowledged the influence of power inequalities in the choice of institutions, while other NIE practitioners have represented the choice of institutions as the outcome of decisions by instrumentally rational individuals.

In addition to probing the sources of bargaining power, a more adequate political economic analysis needs to consider the 'rules of the game'. There are rules devised for the conduct of negotiations, but there are few if any rules (except perhaps for rules prohibiting physical standovers) governing how a party exercises its power in negotiations. Some may argue that strong negotiators are constrained by social and cultural considerations (informal institutions such as conventions, customs, 'moral codes', etc.) to agree to 'a fair deal', an agreement that preserves the self-respect of an opposite party and enables that party to remain in business. On the other hand, there are frequently instances of negotiators driving opposite parties 'to the wall'.

Within a negotiation there is a balance of bargaining power, which each party attempts to tip in its favour – that is to influence the terms of a transaction against the influence of the opposing party[8]. This depends on innumerable determinants. The first of these is the number of rivals. The determinants also include the relative size, diversity and financial independence of the seller (buyer) among its rivals, the comparative quality of material inputs (in the case of rival suppliers), information, and human resources such as the capacity to secure a technological advantage and/or to extend technical help to buyers post-transaction (in the case of rival suppliers). Bargaining power is relative: it reflects the degree of advantage one party to a transaction has over the other. Commonly, advantage is conceived of in terms of alternative suppliers and customers: for example, where a supplier has few rivals but there are multiple prospective buyers, the supplier has a high degree of advantage over prospective buyers. Looked at in a different way, bargaining power is the power of a party to a potential transaction to minimise the cost of concessions in bargaining. A concession may involve a trade-off between one term and another. In the extreme case, one seller (buyer) may have the power to dictate all terms - to avoid concessions altogether and thus to ensure that the cost of concessions is zero.

Bargaining power is not foreseeable: the bargaining strength of an opposite party in a complex and multi-faceted negotiation cannot be clearly foreseen. Thus the outcomes of bargaining are not knowable. This creates what Brousseau and Fares (2005) term 'radical uncertainty'.

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8 One can think of the bargaining power of a buyer in relation to that of a seller and of the bargaining power of a buyer (seller) in relation to that of others facing the same opposite party. The two are related notions.

Nor is bargaining power static. Of course, at some stage a bargain has to be struck; but a clear-headed negotiating party can be expected immediately to turn her mind to augmenting, or at the very least shoring up, the bargaining power that can be brought to the *next* negotiation. The experience of one negotiation changes the approach taken to the next. That is, there is a dynamic in tactics and in adjustments to the determinants of bargaining power. So, for example, an astute corporate producer may sign a ‘sweetheart deal’ with the unions in its plants to ensure industrial peace for the term of a production contract and to secure the retention of critical personnel.

Reputation is critical to bargaining power. This relates partly to corporate viability and solvency. A deal that looks attractive on the basis of the actual terms of the deal may be unsound because a flawed technology is deployed in production or because the product being exchanged is made from largely untried materials or is made by a company which is the subject of a hostile takeover bid or on the well-hidden point of collapse. There may also be technical matters which can bear upon a negotiating party’s ability to deliver on its commitments. These include the dependability of new materials and components. Matters such as these are not easy to predict. Because of such uncertainties, the reputation of a party to a negotiation for reliability and honesty and for technical and financial competence is an important element of bargaining power. So too is a negotiating party’s reputation for driving a tough bargain.

The state must also be explicitly considered. It commonly mediates the bargaining power of parties to a negotiation and it does so in various ways. It can influence and even determine the standing of a party wishing to participate in a negotiation or deny standing. It can support the power of particular parties by licensing only those parties as producers within an industry; it can limit information to some parties; and it can bring to bear its own purchasing power and its quality control procedures. What such mediation may achieve is another matter. The aim may be to make it easier for other parties to contest the power of the currently most powerful parties. Such greater contestability can be expected to alter the terms of contracts. To suggest, however, that the outcome can be expected to be closer to what an auction involving multiple independent buyers and independent sellers would yield would be neither accurate nor helpful

Uncertainty is the most pervasive feature of a modern economy in which most transactions are complex and involve time-consuming negotiations. In proportion to their complexity, contracts may be neither transparent nor complete. There is thus hazard or risk in entering complex transactions. Terms of transactions including prices are both difficult to foresee and are indeterminate. In addition there may well be uncertainty about whether the terms of a contract are properly or fully enforceable. If it is true that the outcomes of negotiations (and the terms of complex agreements) are indeterminate, then the appropriate object of enquiry for anyone interested in the outcomes of negotiations should be what determines the bargaining power of parties to transactions and the evolution of bargaining power through time, at least as much as it is the relationships between prices of production. Obviously, the latter are important; but they represent a second-order phenomenon. It is the processes of establishing the terms of transactions which underlie both these relationships and the distribution of the value of production.

Game theory has addressed the question of the determinacy of bilateral negotiations. However, the widely acknowledged exponent and critic of game theory, Yanis Varoufakis (2008), has lamented that, while this is indeed an achievement, game theory cannot yield an adequate account of evolutionary historical changes in capitalism, small or grand.

Two other important matters not obviously well dealt with in NIE literature on contract negotiations require acknowledgement. First, the viability of a contract is contingent on factors which are themselves determined in negotiations. These negotiations may not always be prior negotiations but may actually be conducted more or less simultaneously. The viability of contracts may be contingent on other contracts. By the same token, the terms of many simple contracts depend on those negotiated in larger and complex transactions - as the price of cattle depends on negotiations over new road transport facilities and ports and abattoirs, and the terms of sub-contracts in the construction of plant and installation of equipment depend on the terms on which the contractor agrees to deliver the plant or equipment. These different areas of negotiation are not coordinated by markets: there is only suspect information conveyed by movements in the ratios of negotiated prices. Of course, a corporation may seek to integrate vertically with suppliers or customers in order to increase its control over costs on which the viability of its principal operations are dependent.

Second, many negotiations may be multilateral: standing may be accorded to various stakeholders in negotiations relating to supply contracts, other than the principal parties (the owners of the enterprise concerned and the purchasers of its product). Take, for example, a corporation seeking to establish a large new plant in a particular area. The establishment of the plant not only requires some assurance that buyers will be found for its product. It also requires that raw materials can be sourced dependably; that transport linking the plant to raw materials and customers is available; that other services such as electric power can be provided; that neighbours of the plant accept the impact the plant will have on its physical environment; that there is a cooperative and sufficiently skilled workforce available; and so on. A corporation proceeding to establish the plant is under some degree of pressure to negotiate with all identified stakeholders – to acknowledge their *locus standi* at the negotiating table. In fact, a principal party to a negotiation may find it strategically useful for its own purposes to press for the recognition of a stakeholder that is not central to the negotiations. As will be argued below, the recognition of any stakeholder is important, however it comes about; and, once having established standing, a stakeholder may subsequently seek to 'up the ante'.

The Scope for Grass-Roots Organisations in Negotiations

Naturally enough, the big players who typically negotiate the deals that establish new factories in selected locations, the tax deals that apply to particular industries, water allocations to enormous cotton farms, and so on, are anxious to restrict the recognition of claims by different parties to a place at the negotiating table – to restrict the number of recognised stakeholders in any project. On the other hand, it goes without saying that 'the little people' do have stakes – their livelihoods, the integrity of their communities and the preservation of communal assets, the cleanliness of the water and air their physical well-being requires, the dedication of spaces – natural and other - for recreation, etc[9]. However, the recognition of these stakes has generally to be fought for**.** In part this

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9 The gender dimensions of negotiations are among various matters that have had to be left outside the purview of this brief paper. A good start to bringing them in would be Pateman's *The Sexual Contract* (1988).

means that stakeholders have to find a voice with which to express their stakes and views – to potential supporters, commissions of inquiry, media interviewers, the courts, international organisations that may be persuaded to apply local pressure on the powerful stakeholders. To prosecute their struggles, people have formed unions, local protest groups, minor political parties, non-government organisations (think of the Australian Council of Social Services and Greenpeace); they have become adept at using 'social media'; and they have exploited the capacities of local government. Their organisations have organised rallies and marches, boycotts and blockades, and have initiated class actions in the courts. Once a stakeholder wins *locus standi*, the game changes.

These observations relate to the emphasis of some heterodox economists on 'varieties of capitalism' (Hall and Soskice, 2001). The varieties can be distinguished in terms of (a) institutional structures - the agreed rules for social interaction - including negotiations between parties, and (b) the social contracts that are negotiated within the rules. The different structures include different sets of state regulations, themselves reflecting different histories of the struggles for standing by different social groups and different histories of the development by such groups of their bargaining power.

The picture of the modern economy that is being sketched here is necessarily complex, because there are many factors at play in the building of any viable economic structure. Each of a viable set of activities must be articulated with others; there must be purchasing power for the products of the set of activities (or the products of these products); and investors must have access to investible surplus and have the enthusiasm to invest their capital. Yet it is not demonstrable that markets can or do coordinate all these vital articulations. What then ensures the overall manageability of the economic structure: what ultimately regulates the output of one part in relation to another, or the distribution of investible funds or the sustenance of purchasing power?

Negotiations, Overall Management, the Public Bureaucracy and Corruption

If most contracts are negotiated and if typically there are many terms of a contract which are subject to negotiation in each instance, then the outcomes of exchanges are only broadly foreseen and are not capable of being coordinated adequately by markets. It follows from the poor predictability of the outcomes of negotiations (to put it most optimistically), together with the discrete nature of negotiations in different and even related areas, that there is a low level of overall manageability of a 'market economy' – and by this I mean the coordination of the directions of development and levels of production by industry and sector. Indeed, a market-dominated, capitalist economic structure might be seen as being perpetually on the brink of crisis.

For coordination to occur some central authority (a planning commission?) must quantify connections between different areas of management and project the impact of a particular direction of management in one area on others. However, since the time 'planning' was repudiated by reactionary governments, in the US and the UK in particular, the best there has existed in Anglophone countries is a set of 'interdepartmental committees' within civil bureaucracies. Chalmers Johnson in his study of Japan (Johnson, 1982 and 1999) attributed the success of the Japanese developmental state to (a) giving first priority to economic development, (b) *a bureaucracy with scope to take initiatives* (my emphasis), (c) perfection of market-conforming methods of state intervention, and (d) the existence of a pilot organisation (as the Ministry of International Trade and Industry or MITI was in Japan). According to Wade's study of the developmental states of East Asia, Taiwan in particular, state planning and coordination was arguably the central ingredient of economic success during the half-century or so after 1950 (Wade, 2003).

It is civil bureaucracies alone that can conjure with the 'meta-circumstances' of big deals. By meta-circumstances I mean circumstances such as the following: the provision of a flow of immigrant workers to a new plant in a remote location; the eligibility of a new project for some investment incentive; the possibility of obliging a prospective investor to give preference to local suppliers despite the letter of commitments entered into within the World Trade Organisation; conflict between a water-using project and a legislated water management plan; impacts of an investment on the physical environment. It is, in general, civil bureaucracies alone which can implement the state's policy frameworks for investments of different sorts, notwithstanding that they may sometimes fail to achieve the degree of coordination that long-term development requires – either because of a deficit of 'muscle' or because they fail to understand the technicalities of coordination. Put another way, it is the civil bureaucracies which must accomplish the overall management of an economy or the overall management of the many overlaps and contradictions between directions of management in different areas of an economy.

Regrettably, the scope for overall management by a bureaucracy is vulnerable to many factors. One is the ideology of neo-liberalism ('small government'); a second is the recruitment and advancement of officers who are at best ambivalent about state engagement in decisions to do with economic structure [10]. One further major obstacle to the coordination implicit in overall management arises when decision-makers within a civil bureaucracy have been corrupted. That occurs when office-holders (individually or severally) take advantage of an opportunity to charge for discretionary judgements which are within the responsibility of their office or to exercise their judgement as a gift to someone they wish to cultivate. State mediation of negotiations by way of increasing a particular party's power on the grounds of increasing the contestability of the power of another party may be a case in point. So a licence may be granted only to applicants who are willing to pay or will deliver some reward in the future.

Negotiations, Heterodox Economics and Political Economy

How does this view of the economy in which processes of negotiation are the central feature gel with the major traditions of heterodoxy[11]? My focus has been on negotiations between human agents, on the planned bargaining in which organisations engage in the course of establishing contracts with each other, on the accretion of power to be exercised in bargaining and on the significance of these processes in the shaping and movement of capitalist economies.

10 See, for example, Pusey (1999).

11 To a neoclassicist, sovereign and instrumentally rational individuals, together with the spirit of private enterprise and competitiveness, constantly challenge accretions of economic power and there is, thus, little interest in how groupings of people may derive and exercise power. The twentieth century work on the structure, conduct and performance of markets is rather the exception that proves the rule.

That negotiations are central to modern economies has been previously recognised by various schools of heterodox economic thought. Perhaps scholars of post-Keynesian economics will most easily recognise what I have written about the ubiquity of negotiations. Alfred Eichner, for example (Eichner, 1976), devoted much attention in his development of 'micro-foundations for macroeconomics' to contestation between various constituencies of modern large corporations for access to revenue. Corporate management has to negotiate with various constituencies (shareholders, financiers, etc.) and each constituency brings a certain bargaining power to the negotiation. In Michal Kalecki's work (for example, Kalecki, 1971) on the degree of monopoly, each corporation is perceived to have a capacity to set a price for its products – in other words a greater power in negotiating product prices than its customers can achieve. Similarly within neo-Marxism of the *Monthly Review* style, corporations exercise 'monopoly power', by which is meant the ability to push the terms of trade with customers (and suppliers) in favour of the particular corporation and thus to claw back wage payments and to appropriate surplus that properly should be regarded as having been produced by trading partners (Foster, 2014).

In the field of Keynesian and Kaleckian macroeconomics, the course of fluctuations in an economy is associated with the stability or otherwise of private investment behavior and the willingness of the nation-state to support private investment with complementary public investments. So, for example, the end of the recessionary phase of a business cycle is associated with the commitment by capitalists to new investment projects. In Kalecki's terms, an upswing occurs when the purgative effect of a recession on the capital stock and the disciplinary effect of recessionary unemployment on the workforce produce a satisfactory rate of profit. However, it cannot be left to capitalists' inspired conjectures that new investments will indeed be characterised by a satisfactory rate of profit. Rather, the upswing is likely to depend instead on the willingness of the state to commit to the protection and underwriting of private projects. State support comes through negotiations (even in the realm of securing and maintaining foreign markets).

At the centre of 'old' institutional economics is the study of the evolution of rules governing a wide range of social relations beyond those on which NIE concentrates (Hodgson, 2004), in which negotiation is central.The political economist goes further, though, in recognising that the bargaining organisations are themselves dynamic manifestations and articulations of power. The basis and manner of exercise of the bargaining power of a party to a negotiation (corporations and occasionally individuals including ministers of government) are at the very heart of political economy.

Conclusion

There are myriad laboured negotiations over complex contracts that shape the economy and society. The parties to a negotiation include all parties who can establish a stake in what is to be the outcome of the negotiation. Arguably, the power of a negotiating stakeholder is more generally dependent on the acknowledged place of the stakeholder in the complex social process of production than on whether the stakeholder is a capital owner or a worker. Recognition of place in the social process of production constitutes acknowledgement of a stake in production and bargaining power. The bargaining power of a negotiating party is not a simple quantity and is not independent of the particular negotiation at hand. Some stakeholders have amassed great power to be exercised in negotiations. This reflects, *inter alia*, the historical Marxian division between ruling and subordinate classes and the more contemporary background of the private appropriation of the commons. All the same, there is scope for small stakeholders to achieve standing in negotiations. For this they must act together, to attest to the importance of their stakes to begin with; and, in addition, they must learn the language in which to put their cases. That having been said, however, the involvement of small stakeholders does increase the complexity of the overall management of an economy and may thus be said to open it to deeper crises. For those who have been concerned with the 'ungovernability of democracies' this is a familiar observation.

A focus on negotiations is, I believe, the way forward for heterodox economics. This requires setting out an integrated political economic analysis (i) of the stakes in the outcomes of economy and society, (ii) of negotiations of the contracts that are the fabric of contemporary capitalist economies, (iii) of the roles of the state in regard to these negotiations, (iv) of the medium-term[12]. material limits bearing on negotiations, and

12 Defined as the average gestation period of investments – the time between the decision to undertake an investment project and when it comes on line.

(v) of the resulting investment, production and distributive outcomes. The direction is one in which it would be possible to say: here are the distinct players and their stakes; here is how they can establish standing and subsequently 'clout' in negotiations; here are the material limits bearing upon negotiations (such as the need to expand production line A in order to enable lines B and C in turn to expand through present bottlenecks); here is how to understand the roles of the state; and here is how stakeholders can achieve the outcomes they want or thwart the ability of others to succeed. It can inform resistance to traditional holders of power and empower small stakeholders and 'the little people' who may have no perception of any stake at all. The project would acknowledge the vastly complex nature of modern capitalism, navigating between extreme views according to which the mass of people are completely subordinated by a ruling class or can be understood as sovereign individuals.

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