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September 2005

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MPRA Paper No. 13236, posted 08 Feb 2009 10:14 UTC

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by

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Abstract

Institutions are usually defined as rules of the game. But if rules are dead letters without being enforced, then *what is the role of destructive power in the genesis of institutions?* This is the first question which will be addressed in the present paper. While the importance of incremental or evolutionary changes in informal rules is undeniable, what is the role of destructive power or revolution in politics with regard to institutional change? *To what extent is destructive power involved in the change of rules?* This is the second question that will be tackled in the present paper. The purpose of this paper is to answer these two **questions focusing** on a point that current scholarship regarding institutions usually fail to notice, **with an emphasis on rules and laws**: the power that enforces those rules and laws. The analysis of different forms of power **will demonstrate** the fact that the capacity to destroy as well as the capacity to produce plays a role in generating and maintaining institutions. I will try to show that the recognition of destructive power sheds new light on at least three major issues: i) the relationship between property rights and sovereignty, ii) the importance of revolution as well as evolution in social change, iii) the emergence of various means of collective expression such as Luddism, universal suffrage, and association.

JEL Classification: B52

Key words: Destructive power, creative power, screams, institutional change, enforcement

Introduction

The state monopoly of coercion and the subordination of violence to law give credence to the idea that violence has a secondary role compared to the legal system. However, this is nothing but a judicial illusion: even though naked power does not produce rules, it

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constitutes the ultra-legal foundation of a “political association” which defines social norms.

Institutions are usually defined as rules of the game. But if rules are dead letters without being enforced, then *what is the role of naked power in the genesis of institutions?* This is the first question which will be addressed in the present paper.

Understanding the origins of institutions is a necessary but not a sufficient condition **to develop** a theory of institutional change. Analyzing institutional change, North introduces a distinction between “formal” and “informal” rules. “Formal” rules include political (judicial) economic rules, **as well as** contracts. “Informal” rules comprise codes of conduct, conventions, traditions, and customs (North, 1990, p. 47). He claims that informal rules such as social norms are more important than formal rules such as political, economic rules and contracts. Because he emphasizes informal rules, he claims that most institutional change is incremental (North, 1990, p. 83). North in fact **asserts** that discontinuous change in formal rules is the culmination of underlying continuous, incremental change in informal rules. By “discontinuous change”, North **implies** a radical change in formal rules, usually as a result of conquest or revolution. For North then, **violence plays** no role in institutional change, since all institutional change is incremental. Violent means of institutional change (terrorism, riots, revolutions and conquest) cannot be explained by North’s theory.

While the importance of incremental changes in informal rules is undeniable, what is the role of punctuated equilibrium in politics **regarding** institutional change? North seems to have omitted an important source of social change and order: destructive power². **Numerous forms express the concept of destructive power**, violent as well as non-violent such as conquest, revolution, riots, terrorism, strikes, and civil disobedience. It can also be characterized as a particular form of expression, namely *scream* that is distinct from ‘voice’ and ‘exit’ in Hirschman’s theoretical framework (Hirschman, 1970, 1974, 1976, 1988). *To what extent is destructive power involved in the change of rules?* This is the second question that will be tackled in the present paper.

The purpose of this paper is to answer these two questions by focusing on a point that current scholarship regarding institutions **usually fail to notice**, with its emphasis on rules and laws: the power that enforces those rules and laws. The analysis of different forms of power will **thendemonstrate** the fact that the capacity to destroy as well as the capacity to produce plays a role in generating and maintaining institutions. I will try to show that the recognition of destructive power sheds new light on at least three major issues: i) the relationship between property rights and sovereignty, ii) the importance of revolution as well as evolution in social change, iii) the emergence of various means of collective expression such as Luddism, universal suffrage, and association.

² Milonakis and Fine (2007, p. 32-33) also underline the lack of a theory of revolution in North due to North’s neoclassical attachment to the change in relative prices as the source of gradual institutional change: “he (North) relegates social and institutional change to incrementalism through changes driven by relative prices...Granted this, it is not surprising that North fails to provide a theory of revolution”.

I will argue in the first section that institutions are the outcome of three forms of power³, namely creative (economic), destructive, and moral-ideological (including religious) powers. The second section will discuss the specific role of destructive power in the enforcement of rules and provide a heuristic model of institutional genesis with **a close look at** the relationship between creative and destructive power. In the third section, I will argue that a trade-off between destructive and creative power has been a major source of institutional change through the subordination of violence to law.

1. Three facets of power

Before defining three different facets of power, we have to scrutinise the meaning of power itself. Max Weber defines power as “the possibility of imposing ones will upon the behaviour of other **people**.” (Max Weber, 1954, p.323). This definition solely considers the power over human beings. However, power may be exercised over inanimate objects or non-human forms of life (for example, animals, plants). Hence, power can be defined more broadly as “the production of intended effects.” (Bertrand Russell, [1938] 1971, p. 25). When comparing the power of two individuals, it can be said that A has more power than B, if A achieves many intended effects and B only a few. The exercise of power over other individuals implies the *ability to influence* (and not necessarily to *impose* as Weber suggests) the decisions of others to produce one’s intended effects. This power offers a range of *possibilities*, since it is an *ability to influence*. Thus, there is a parallel between the concept of power and the economists’ concept of a possibility boundary (H. Simon, 1951) which divides the total set of future possibilities into those that a person can or cannot do.

In other words, power is the *potential* to do something, but it does not imply the *actual* realisation of that thing. For example, *threat* power does not mean the actual use of power. However threat can be considered as *credible*, if two conditions are satisfied. First, threat should be an action **within the accessible** boundary. Second, the person who has the power should be committed to use it if necessary. Although a credible threat of aggression is not the actual aggression, it has a real power to influence the decisions of the party **which** is threatened. The **accessible** boundary determines the limits of one’s free choice, but this does not imply that the utmost power is to extend one’s ability beyond that boundary. It may be that the renunciation to use one’s power could be the freest exercise of the will. For instance, you may have the power to crush your enemy, but you do not use this power and prefer to make a friend out of your enemy. By referring to the power to crush one’s enemy, I am not suggesting that power implies domination. Contrary to Weber’s definition of power, my definition of power does not necessarily imply the possibility to *impose* one’s will, it suffices that one could have the possibility to *influence* others’ decisions. *Force*, as a much narrower concept, is linked to the concept of domination (Boulding, 1989, p. 16).

³ Contrary to the Old Institutional School, in the New Institutional Economics, institutions are usually not regarded as the outcome of power relationships. Williamson’s works are salient examples in this respect (see Palermo, 2000).

Without granting any *a priori* primacy to any type of power, I distinguished three **different** types of power, which I named *creative*, *destructive*, and *moral and ideological power* (Vahabi, 2004). *Creative or economic power* is the ability to create (produce, exchange) value (use and exchange value) in all its material and immaterial forms which embrace both organisational and technical capabilities. It also includes the right to exclude and to control economic activities, and it uses economic punishments and rewards.

Destructive power is threat power that may lead to the destruction of use or exchange values or even human beings and nature. This *instrumental* definition of destructive power is free of value judgments. I do not necessarily consider a destructive action to be a “bad” or Mephistophelian one. By the same token, a creative action is not necessarily a “good” action. In other words, my distinction between destruction and creation, as well as destructive and creative value is not based on an *ethical* criterion. It does not mean that the ethical or legitimizing aspects of any recourse to destructive or creative power are denied, it simply implies that in this definition, value has a purely *instrumental* character, and does not contain a *judgmental* value. Destructive power can also be used to protect the property rights and thus, it is the basis of law and sovereignty. It includes not only coercive and threat power but also non-violent forms of pressure such as civil disobedience, strikes, exclusion and boycotts.

In a **way**, *destructive power* is the opposite or negative counterpart of *creative power*. However, destruction and creation are not two totally separate, purely contradictory processes. Between them, there are much more complicated relationships: they are simultaneously identical, different, and opposite (see Vahabi, 2004). For instance, *destruction* can be considered as the very act of *creation*, since all production involves what might be called “destructive transformation”, like wheat being ground into flour, or flour baked into bread (Boulding, 1989, p. 239). Final consumption can also be viewed as a form of destruction. Destroying a product through consumption is the counter part of creating utility. In this **context**, destruction is part of creation. In a similar way, innovative activity can be considered as *creative destruction*, as Schumpeter referred to the process of capitalist development (Schumpeter, 1951, chapter vii). This kind of destruction is the direct outcome of innovation, namely the *destruction* of old products, past processes of manufacturing and archaic forms of organization through the introduction of new products, ways of producing, and organizational methods.

To differentiate destruction from creation, we have to focus on *abstract* destruction, for which destruction is not just a moment of the creative process, but constitutes a moment in itself: it means *destruction for the sake of destruction*. This is what Boulding refers to as “the dark side of destructive power”, which goes back a long way, as shown in the story of Cain and Abel (1989, p. 22). This brings us once again to *threat power* which is different from *creative power*. The remainder of this paper will focus on this particular sense of destruction and *destructive power* rather than on destruction as an integral part of creation.

The third type of power, *moral and ideological power*, can be defined as the power to form and influence opinions, beliefs, and the meaning of sacredness. It is the legitimacy power. Moral power is the power of personal influence unaided⁴ by violence or economic power. In recent times, this power is not limited to churches, schools, and political parties and applies to the media and advertising. While creative and destructive power are visible and objective, moral power, in contrast, is subjective; neither those exercising it nor those subject to it need to be always aware that it is being exerted. Boulding (1989) broadens the concept of moral power by introducing *integrative power*. This kind of power is not limited to efforts aiming at forming or changing opinion and it includes the power to create relations at different social levels. In this sense, *integrative power* covers not only moral or sacred power but also what sociologists (Bourdieu, 1986), and economists call “social capital”.

These three types of power generate three great types of institutions, namely, the state, based on the fear of physical power; business, based on the fear of economic power or poverty; and the great variety of modern cultural, religious, or moral concerns, based on the fear of opinion or damnation⁵. Each type of power determines particular rules and provides the necessary compensatory as well as sanctioning mechanisms to convey compliance with rules. In this sense, different types of power are the foundations of different forms of collective action. In this paper, we will focus on destructive power and its specific contribution to the enforcement and the change of rules.

2. Destructive power and the enforcement of rules

Destructive power is the basis of sovereignty. It is a primary force, since it is the ultimate basis of law. This type of power contributes to the emergence of a social order and its preservation. Its role in rule enforcement can accordingly be studied through two channels: i) sanctions, punishments, and compliance; ii) protection and definition of property rights. In this section, we shall study these two channels and finally formulate a heuristic model that captures the relationship between creative and destructive power with **a glance at** different institutional setups.

⁴ One of the referees draws our attention to the relationships between moral power and class domination in a historical context and finds the term “unaided” obscure. In a Marxist theoretical framework, the dominant ideology in a society is the ideology of the dominant class. Accordingly, moral power is underpinned by economic (creative) power. In our opinion, all forms of power are interdependent, and their complete separation is only a necessary assumption at a theoretical level. Moreover, the separation of different forms of power is itself the outcome of a historical process (see Vahabi, 2004, chapter 1). In *defining* ‘moral power’, we are abstracting it from other types of power, whereas in reality it is not separated from them. Finally, I should stress that ‘moral power’ is not necessarily related to the dominance or existence of a social class. Marx himself provides an illustration: feudalism passed away, but feudalist ideology survived for a long time under different ideological flags such as ‘feudal socialism’, namely a radical ‘reactionary’ critique of capitalism with its idealization of an autarkic agricultural society.

⁵ One of the referees comments that such a negatively charged comprehension of moral or ideological power is very elliptic and that it is also simplistic to equate power with “fear”. It is true that power should not be reduced to ‘fear’, but I am analyzing the *sanction* mechanism in each type of power. Sanction is associated with different kinds of fear, fear of bodily or physical punishment, economic sanction, or moral condemnation or damnation.

2.1 Sanctions, punishments, and compliance

The different kinds of collective actions may be grouped according to the kinds of pressure, influence, or sanctions one may use, that is moral power, creative or economic power, and *destructive* or *physical* power. Each kind of collective action constrains, liberates and directs individual action through sanctions, punishments, protection, persuasion, social education and compliance. In this sense, each kind of collective action provides a specific type of authority, differing in the kind of “sanctions” employed to bring the individual into conformity with the rules, as moral sanctions of opinion, economic sanctions of deprivation of property or income, and bodily sanctions of physical force. According to Commons, “physical power” (destructive power in my terminology) is regarded as Sovereignty, since it has the ability to exert bodily sanctions: “Since the bodily sanctions are, for most people, the **most** extreme of all, the collective activity that attempts to monopolize physical power is known as Sovereignty, and the officials who direct its use are Sovereigns. In the American system they are collectively the politicians, including the legislature, the executive, and the judiciary.” (1970, p. 41). Although “bodily sanctions” are essential in rule enforcement, the role of coercion in social education should not be neglected. Sanctions are organized forms of deprivation which are commonly used to protect the order and to provide compliance. They are used not only in family, but also in schools, and in society in general at different levels. To the extent that sanctions enforce rules, they are a method of assuring compliance and the necessary education or learning for all those who have a tendency to violate rules. They thus contribute to routinisation of those types of social behaviour which are compatible with existing order, and enhance social docility⁶. Conformism is the outcome of a rooted social habit to be docile toward the established order.

However, sanctions and punishments are not only inflicted by rulers upon ruled ones. Revolution is also a way people pass a sanction on the ruling body. It is a severe sanction sometimes including the execution of rulers and the decapitation of kings. Moreover, for masses, revolution is a method of fast learning about their social choices and preferences. The reason should be found in the fact that what we usually consider as “truth” is nothing but the “truth” as defined by dominant groups, and when these dominant groups begin to falter, their “truth” also loses its grip over social consciousness and preferences. That is why after every revolution, past history has always been rewritten and people have begun to rediscover the “truth” once again as if they were **beginning history** from scratch! They also understand about their rights, **through revolution**. By imposing such a sanction against tyrants, people become confident in their own power as real masters of society. It happens sometimes that only a *threat* of revolution brings perspicacious rulers to modify their policies and introduce serious political and social reforms. Hence, not only can people learn from revolution, but rulers can also learn from the *threat* of revolution.

⁶ Herbert Simon defines “docility” in following terms: “To be docile is to be tractable, manageable, and above all, teachable. Docile people tend to adapt their behaviour to norms and pressures of the society.” (1997, p. 229).

At this point, we should emphasise that the enforcement of law does not necessarily require the *actual* use of bodily sanctions; but rather suffices to use the *possibility* or *threat* of exercising bodily sanctions. The fact that such a threat is promulgated by law makes it credible. The enforcement of law thus involves what Williamson calls *ex post* transaction costs (Williamson, 1985), namely the costs related to sanction, punishment, protection or the use of destructive power.

In my opinion, institutions should be particularly defined by their sanctioning, protecting, punishing power, and must not be reduced to a set of rules and the interpretative power for elaborating these rules. For one thing, the enforcement of rules is more important than the rules themselves, which can be interpreted in a number of ways. However, the different interpretations will fade when it comes to the practical question of the implementation of law. The enforcement of law favours a particular, and a very special interpretation of law which is nothing but the *practical* or *practised* one. Put differently, an analysis of power and enforcement is an essential complement to an analysis of rules. The change of rules also occurs by a transformation in the way their enforcement mechanism evolves. In fact, there are many historical examples of institutional change without any apparent change in rules. Hobsbawm cites the English example where social change has always been advocated in the name of “traditions”, and in this way a *new* social content was reconciled with an *archaic* or traditional institutional form (1977, pp. 15-18). Marx ([1864]1978, vol. 1) refers to the juridical expression of private property rights which remain unchanged throughout the transition from commodity production to capitalist production. In this case, a unique form of juridical property rights covers two different economic contents, namely the commodity relationship and the wage relationship. In the commodity relationship, private property is justified on the basis of appropriation of one’s own labour, whereas in the wage relationship the private property is acquired through the employment of other people’s labour power. According to Marx, in the first case, the exchange of commodities is based on the *equivalency* of the value of commodities exchanged, whereas in the wage relationship, the exchange of labour force against capital is founded on *non-equivalency*⁷.

Hence legal rules can stay unchanged while their social or economic content changes. Institutional change cannot be grasped if it is limited to a change in rules. The liberal ideology has a preference to give prominence to laws and describes the reality as a brutal force that is determined by rules and not otherwise. In this way, liberalism takes the primacy of legal order over military power as granted. Accordingly, institutional change is described more as a change in laws, whereas the real change comes from the crisis in the enforcement mechanism.

Given the primary role of destructive power in enforcing law, we can construct an indicator to measure the comparative advantage of anarchy over legality in terms of transaction costs. Violence can be regarded as a positive function of radical uncertainty. The distrust or perceived uncertainty of powerful groups about the existing rules leads to violence. The enforcement of law requires the intervention of a third party (the judge or

⁷ For a detailed analysis of the complexity of the problem in Marx’s dialectics, see Chavance (1999) and Ollman (1993).

the state) and involves transaction costs⁸. However, an anarchic situation is a two-party relationship and does not imply transaction costs. Hence, there are two dimensions, namely *uncertainty* and *transaction costs* which distinguish a state of law from anarchy.

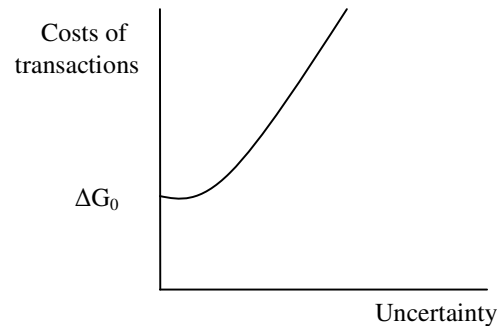
If we define “anarchy” as a Hobbesian State of nature where unconstrained use of violence by law is the rule, and “legal order” as Aristotle’s Constitutional state or “political association”, then we can compare their relative advantage in terms of transaction costs with regard to different degrees of uncertainty. If $V(u)$ and $L(u)$ denote respectively a state of violence (anarchy) and a state of legality as a function of uncertainty, then we can say that $V(u)$ is an increasing function of uncertainty, whereas $L(u)$ decreases with the increase in uncertainty. Moreover, $L(u)$ implies a positive *ex post* transaction costs, whereas $V(u)$ does not involve any transaction costs. Thus, if ΔG represents the comparative advantage of $V(u)$ over $L(u)$ in terms of transaction costs (the amount of transaction costs saved), then we can say that at $U = 0$, $V(0)$ has a comparative advantage over $L(0)$, since it economizes over transaction costs⁹. In other words, $\Delta G(0) = V(0) - L(0) > 0$. ΔG is positive, since legality incurs more transaction costs. This advantage increases with uncertainty at every moment of time. Thus $\Delta G(u)$ is an increasing function of uncertainty, and we have $\Delta G'(u) > 0$.

Moreover, $\Delta G''(u) > 0$ and $\Delta G(u)$ is convex, since we suppose that there is an increasing return to the marginal comparative advantage of $V(u)$ over $L(u)$ with the increase in uncertainty at every moment of time, given that “radical uncertainty” ($U \rightarrow \infty$) implies infinite costs of transaction and infinite comparative advantage of violence over legality. Graphic 1 shows this relationship.

⁸ Usher (1992, p. 361) calls this type of costs as « intimidation costs »: « Virtually any task that the public sector is called upon to perform involves the establishment of rules. Rules require enforcement. Enforcement entails costs which must be counted as part of the total cost of public programmes. Among these costs are...the cost to the government of identifying infractions of the rules, and the cost to the government (and ultimately to the taxpayer) of punishing people identified as rule-breakers. These last two items may together be identified as intimidation cost, the cost borne by the government in enforcing compliance with the rules. »

⁹ Note that there is an initial advantage of $V(0)$ over $L(0)$ in the absence of uncertainty, since legality implies transaction costs.

Graphic 1. Comparative advantage of violence over legality



The comparative advantage of L (u) over V (u) cannot be examined without a preliminary discussion on the relationship between sovereignty and property rights.

2.2 Protection and the definition of property rights

Historical studies show a long process of fusion and then growing autonomy and separation between *creative* and *destructive* power. While the separation of *creative* and *destructive* power becomes an established fact in a capitalist system, it does not exist under other systems like compulsory co-operation (Mann, 1986), slavery or serfdom. In the pre-capitalist systems, the productive systems were founded on *personal subordination*, whereas in the capitalist system the productive system depends upon economic or *impersonal subordination* of labour to capital (Simmel, 1987). The slavery system of production was based on the direct use of force, which guaranteed the personal subordination of slaves to their masters. The same can be said about the feudal system where peasants were attached to the land. The initial phase of capitalist development, or the so-called “primitive accumulation of capital” (Adam Smith, [1776] 1961) was also marked by the direct use of coercive, extra-economic means such as military conquests, imperialism, plunder, pirating, colonialism, triangular slave trade and enclosure laws in Great Britain (Marx, [1867]1978, vol. 1, Chapter 24).

The fusion of *destructive* and *creative power* is not limited to pre-capitalist societies and to the “primitive accumulation of capital”. The Soviet economy is another salient example of such a fusion. Oscar Lange (1970) is the first author who dubbed the Soviet economy a “war economy during the peacetime”. John Commons also observes the particular place of coercive methods in organising the whole economic system of the Soviet Union. In his general theory of three different types of transactions, namely *rationing*, *bargaining*, and *managerial transactions* (Commons, [1931] 1965, pp. 520-21), he defines *rationing transactions* as transactions based on the assumption of a subordination relationship between a collective superior and individual inferiors. For Commons, one of the prominent examples of rationing transactions is the Soviet regime: “A fascist or communist dictatorship extends this economics of domestic law to all the transactions of economics. Modern totalitarianism is rationing transactions imposed by

those in power, the “superiors,” upon those deprived of power, the “inferiors.” (Commons, 1970, 55). The analysis of the Soviet regime comes under “rationing transactions”, and the word “rationing” is sufficiently clear to remind us of the logic of war and a militarised economy where the superior represents collective sovereignty and all others are atomised individuals who have to execute without “negotiating” the terms of commandment.

It is only in capitalism that the “free choice” of agents to enter into contractual relationships and especially employment contracts becomes a necessary condition. Nonetheless, even in a capitalist system, there is a permanent need to use *destructive* power in order to protect property rights and to guarantee the general conditions of production. To clarify this distinction, we take the history of the United States as an example. Before the Civil War, slavery was dominant in the cotton plantations of the southern part of America. The fear of the lash was a necessary element of the slavery system, which ensured total obedience by slaves. In this example, the use of *destructive* power (fear of lash) was part and parcel of the *creative* (productive) system and the two could not be separated. The abolition of slavery and the free development of capitalism put the historical separation of these two powers in motion.

However, the situation was different in the semi-anarchic conditions prevailing in the gold-rush in California in 1849, or in Victoria a few years later. Here, the exploitation of gold mines, unlike the Roman Empire, was not based on slavery, but free labour. In this case, the use of *destructive* power was not part of *creative* process. However, in a state of *complete* anarchy, involving a war of all against all (as Hobbes liked to describe it), gold would be useless except to a man as quick and sure with his revolver as to be able to rob others or to defend himself against every assailant. Such a state of affairs would be unstable, except possibly in a very sparse hunting-plundering population. For instance, agriculture is impossible unless there are means of preventing trespass and the theft of crops. It is obvious that an anarchic community comprising more or less of civilised individuals, like the men in a gold rush, will soon try to build some kind of government, such as a committee of Vigilantes. These people will endeavour to prevent others from plundering them; and if there is no other authority to interfere, they may plunder others. However they will plunder with moderation, for fear of killing the goose that lays the golden egg. These people may, for example, sell protection in return for a percentage of a man’s earnings. *The security cost is then the cost paid for being protected against destructive power.* This cost is paid out of income tax even in societies where the productive system is not based on the use of destructive power. As soon as there are rules determining the provisions of protection, the reign of military force is disguised as the reign of law, and anarchy ceases to exist. But the ultimate foundation of law and economic relations is still the military power of the Vigilantes¹⁰.

¹⁰ According to Veblen (1898, p. 362), the emergence of the institution of ownership is related to a “predatory habit of life”: “In its earlier phases ownership is this habit of coercion and seizure reduced to system and consistency under the surveillance of usage.”

This example illustrates that despite the growing autonomy and separation of destructive power from creative power in capitalism, sovereignty¹¹ is inseparable from property. Commons also emphasizes this point: “Sovereignty is inseparable from property. It is the sanctions of sovereignty that make property what it is for the time being in any country, because physical force, or violence, is the last and final appeal **when other** sanctions are deemed inadequate to control individuals. Economic science, in England and America, began with the separation of property from sovereignty, on the assumption that private property was a natural, primordial right of individuals, independent of sovereignty which might artificially and unjustly interfere with it.” (1970, p. 41).

For the mainstream economics, the autonomy of economic science boils down to the separation of sovereignty from property rights. The exclusion of sovereignty from the scope of economic analysis is in tune with the idea that rational agents do not resort to violence, or real destruction. However, the separation of property rights and sovereignty muddles the concept of property rights. The reason is that one of the distinctive features of property rights is the right to destroy (*abusus*). This is the ultimate control power. Ownership entitles owners to a bunch of controlling rights, some of which can be transferred to a user through a leasing contract. Nevertheless, among these rights, there is one which cannot be alienated; this is the right to destroy. If we rent a house, we can naturally put the furniture or appliances that we like as long as the installations do not imply a demolition of some part of the house or major reconstruction of it. Leasing or contracting, hence, entitles the lessee to some particular control rights, but it does not transfer the power to destroy the property. The right to destroy is the judicial acknowledgement of the fact that the very existence of the property belongs to the owner. Put differently, this right draws a demarcation line between the *goal* (defined by the owner) and the *means* (the object of property). The owner cannot entirely exercise her/his right on the creative potential of the good without having the full right to destroy the good. Among three different types of property rights, namely *usus*, *fructus*, and *abusus* the one which cannot be contracted away is *abusus*, while both *usus* and *fructus* can be contracted without causing any damage to the very right of ownership. Thus, the ultimate boundary of ownership is the right to destroy¹².

¹¹ One of the referees contends that in this paper the concept of the State is oversimplified, since it is regarded as sovereignty, and thus its nature as a “specific form of class domination” is disregarded. In my viewpoint, the State is not necessarily an instrument of class domination; it may solely serve the sovereigns as a source of ‘tribute’ (Lane, 1979) like ancient Persia or the merchant States during late medieval times or early modernity. The State can also serve principally the interests of a caste such as the society of December 10th during Louis Napoleon’s reign since the coup d’état on December 2nd 1851 brilliantly analyzed by Marx ([1852] 1972) himself.

¹² The modern strand of property rights theory or contractual incompleteness (Hart, 1995; Hart and Moore, 1999) defines “ownership” as the right to *exclude*. In this way, this approach endeavours to capture the essence of the property relationship as a judicial power relationship. However, ownership cannot be essentially defined as the right to exclude; it is the right to destroy, since you can transfer through a contract (for example, a leasing contract) some rights of exclusion to the lessee. If you rent a house, you are entirely entitled not to let in whoever you wish, including the owner of the house during the period of the contract. But as a lessee you do not have the right to destroy (demolish) the house, and in case of partial demolition, you must pay a penalty. The penalty is defined on the basis of the equivalency of prejudices.

It is noteworthy that the ownership of animals implies the right of the owner to kill his/her animal. Woman as a property of man also connotes that she can be bought by a man and thus can also be killed by a man. According to Veblen, the institution of ownership originated in the early days of predatory life through the seizure of persons and particularly women. He writes: "After this usage of capture has found its way into the habits of the community, the women so held in constraint and in evidence will commonly fall into a conventionally recognized marriage relation with their captor. The result is a new form of marriage, in which the man is master. This ownership-marriage seems to be the original both of private property and of the patriarchal household. Both of these great institutions are, accordingly, of an emulative origin." (1898, p. 364). The same thing applies in slavery. A slave can be bought or sold; the owner has the right to destroy her/him without any prejudice.

But since the abolition of slavery and the legal recognition of equality of all human beings regardless of their sex, race, religion, etc. the reciprocity of rights among all citizens is acknowledged. Economic valuation is, thus, limited by legal requirements imposed by sovereignty. Commons pinpoints that "'Equality' and 'liberty' are also necessary to the full meaning of value. These values too are institutional (...) Historically the actual content or meaning of these values, equality and liberty, also have greatly changed, especially after the Civil War of 1861 and the New Deal of 1933." (1970, pp. 159-60). It is true that property rights and sovereignty are inseparable, and by any significant institutional change, economic valuation also changes. However, neither institutional change nor sovereignty **are** limited to **their** juridical dimension. In fact, the transition from commodity production to capitalist production was accompanied by a parallel change in the *economic* content of appropriation, while the *legal* expression of private property remained unchanged. The problem with **Commons' approach** is that it narrows the institutional change to juridical change, and this is due to the fact that he chooses *transactions* as his basic unit of analysis.

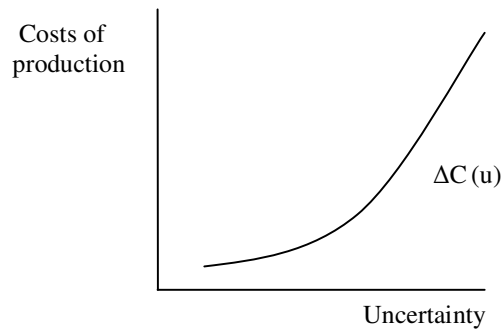
2.3 A heuristic model of violence versus legality

The inseparability of sovereignty and property rights boils down to the protection and definition of property rights by destructive power. Legality is directly related to the protection and definition of property rights as a necessary condition of production. In a state of anarchy, production will decrease rapidly over time. Hence, the costs of production will increase rapidly with violence, whereas legality reduces these costs. If ΔC denotes the comparative advantage of legality over violence with regard to the costs of production (or the amount of production costs saved), we have $\Delta C = L(u) - V(u) > 0$. Moreover, since the costs of production will be higher under a higher level of uncertainty in a state of anarchy compared to a legal order, $\Delta C(u)$ or the comparative advantage of legality over violence in terms of production costs at every moment of time augments with the increase in uncertainty. In other words, $\Delta C'(u) > 0$, and the comparative advantage function will be increasing.

Finally, $\Delta C''(u) > 0$ and $\Delta C_t(u)$ is convex, since we assume that there is an increasing return to marginal advantage of legality over violence in terms of production costs with

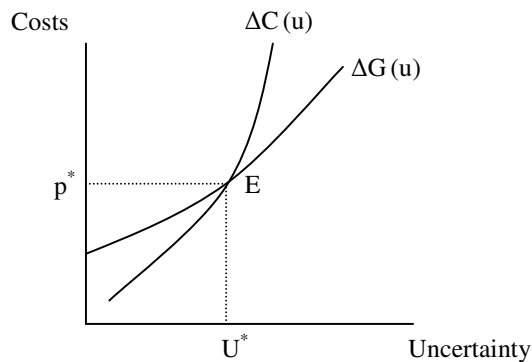
increase in uncertainty, given that “radical uncertainty” ($U \rightarrow \infty$) implies infinite costs of production and infinite comparative advantage of legality over violence. Graphic 2 represents the comparative advantage of legality over anarchy with respect to the costs of production.

Graphic 2. Comparative advantage of legality over violence

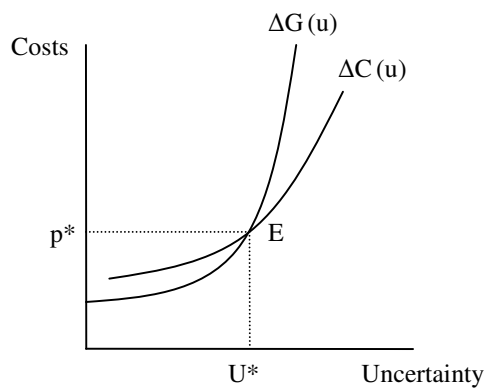


In Graphic 1, we showed the comparative advantage of violence over legality. Now, we can study the relationship between $\Delta C(u)$ and $\Delta G(u)$. The intersection between the two curves indicates the equilibrium costs and the equilibrium level of uncertainty. This point determines the equilibrium threshold beyond which either anarchy or order will rule. There are two different possibilities: either $\Delta C'(u) > \Delta G'(u)$ or $\Delta G'(u) > \Delta C'(u)$. In the first case, the comparative advantage of legality surpasses that of violence, and hence we will have a legal order. I call this state the “Aristotelian state or constitutional order” (see Graphic 3a). In the second case, the comparative advantage of violence surpasses that of legality, and hence we will have anarchy. I name this state, “Hobbesian state or anarchy” (see Graphic 3b).

Graphic 3a. Aristotelian state or constitutional order



Graphic 3b. Hobbesian state or anarchy



The equilibrium “uncertainty level” (U^*) represents the *normal* level of *perceived* uncertainty. This level depends on the dominant opinion among powerful groups who can effectively use destructive power. Violence is **mostly** determined by the expectations of these groups about the stability of the social order, or their perception of “uncertainty” regarding their dominant position.

In this simple heuristic model, the choice of institutional setup hinges upon enforcement costs and production costs on the one hand, and the degree of uncertainty on the other hand. In fact, while violence economizes on enforcement costs (*ex post* transaction costs), it augments production costs. Conversely, legality augments enforcement costs, and it economises on production costs. In this sense, the use of destructive power is inversely related to that of creative power.

An example may illustrate these two different situations. A revolutionary period is close to a Hobbesian state (Anarchy), whereas a post-revolutionary situation can be depicted as an Aristotelian (Constitutional) one. In the first case, the marginal comparative advantage of violence over legality in terms of transaction costs exceeds the marginal advantage of legality over violence in terms of production costs. In other words, revolutionary social groups and classes would have a marginal advantage to resort to destructive power¹³ compared to what they lose in terms of creative power. This result can be demonstrated with respect to uncertainty, transaction costs, and production costs. A revolutionary period (violent or non-violent) has three major characteristics.

First, it is a period of *great uncertainty*, where the gap between the best and the worst outcome is very large in comparison with the normal situation. Borrowing Shackle's concept of 'potential surprise' (1972), Nicholson (1972, p. 247) considers a revolutionary period as a *crisis situation* "where the deterrent threat may or may not be used, but where there is some doubt about it". Moreover, the problems that generate the crisis are unexpected for at least one of the parties involved.

Second, a revolutionary period is usually a period of *sovereignty crisis or institutional vacuum*. It is a period of 'no man's land' that sometimes leads to a 'dual power' (for instance, in the Russian February revolution in 1917, or during Spanish Civil War as well as the Iranian February revolution in 1979). This period is characterized by the fact that while the old institutional setups are no longer dominant, the new ones are not yet mature enough to regulate social order. Rules are challenged and not enforced, state has no monopoly over violence and anarchy reigns. While transaction costs (or "intimidation costs" in Usher's terminology) of rule-enforcement are nulls, "institutional vacuum" incurs high productive costs.

Third, the institutional vacuum or the *crisis of sovereignty* should be considered as one of the most important causes of the fall in the level of the productive forces. The experience of all revolutions, which have played a colossal, positive role with regard to economic development shows that they were bought at the cost of colossal destruction and plunder. The destruction caused by the Civil War in America is well known, as is the devastation at the time of the French Revolution which advanced the development of the productive forces after a period of profound decline. After the Russian revolution of October 1917 and especially after the civil war in 1919, it took fifteen years for the new communist regime to attain a level of production close to 1912.

The post-socialist transition in the nineties was carried out through a "transformational recession", which was more severe than the grand Crisis towards the end of the nineteen twenties and the thirties. According to Kornai, this recession was due to the "institutional vacuum": "The old property forms have been shaken, but mature new property forms have not arisen in their place. Everything is in a fluid state. The old institutions and organisations of co-ordination cease to function under these conditions. But the requisite

¹³ A revolution is not necessarily violent as recent revolutions in the ex-socialist countries show. Hence, it is more appropriate to define a revolution as a form of "destructive power" or "scream" (see next section).

new systems of coordinative institutions...have still not developed. All these factors gravely impede production.” (1995, pp. 179-89).

Consequently, revolutions set in motion a process of reproduction that takes on a distorted, regressive and *negative* character. It means that with every subsequent production cycle, the real production basis gets increasingly narrower and development takes place, not in an expanding, but in a constantly narrowing spiral. Borrowing Marx’s terminology about “expanded reproduction”, Bukharin ([1920] 1976) calls this process “expanded negative reproduction”. The *negative* expanded reproduction is a concept, which clearly sums up all the economic costs of revolutions. It includes the physical destruction of the elements of production, the de-skilling of the elements of production, the disintegration of the relations between the elements of production, the redistribution of the productive forces in the direction of non-productive consumption (Bukharin, op.cit., pp. 126-7), and last but not least, the costs of sovereignty crisis that Bukharin ignores. The destructive process of revolution can continue up to the total depreciation and devastation of fixed capital, and the starvation and famine of all working people.

To sum up, we can say that a revolutionary period, riddled with radical uncertainty, has at the beginning a comparative advantage in terms of transaction costs, but a comparative disadvantage in terms of production costs. This period corresponds to a Hobbesian state (Anarchy). As the revolutionary period continues, the production declines more and more and the marginal comparative disadvantage in terms of productive costs will begin to exceed the marginal comparative advantage in terms of transaction costs. The post-revolutionary period starts with the need to establish an order and to attain a production level at least as high as the one **preceeding** the revolution. This period corresponds to an Aristotelian state.

3. Destructive power and the change of rules

The Neo-Classical school rejected Marxian theory along with Marx’s insightful remarks with regard to social conflicts. Despite the exclusion of radical social conflicts from the field of economics, the mainstream Neo-Classical school accepted a particular type of conflict. Since any competitive activity implies a certain type of conflict of interest among agents, the Neo-Classical school has largely developed theories of conflict which may be called “system neutral” or “pro-systemic” (Gupta, 1990) according to which conflicts remain within the rules of the market economy.

Hirschman focuses on the insufficiency of market coordination and especially on the limits of the *exit* mechanism and introduces a complementary mechanism, namely *voice* to overcome this insufficiency. While *exit* belongs to economics, *voice* is political action par excellence. In this way, Hirschman reintroduces the question of social conflict in economic theory through ‘voice’. However, Hirschman’s concept of *voice* is ambiguous, since he fails to distinguish two different things: *voice* within the existing rules, and *voice* against the existing rules. While *voice* within the existing rules can be opposed to *exit* as abandoning the existing rules or organization, *voice* against the existing rules cannot clearly be opposed to *exit*, since in this case the frontiers between *voice* and *exit* become

confused. In other words, *voice* within the existing rules comes within the scope of Hirschman's dichotomy of *voice* versus *exit*, whereas *voice* against the existing rules escapes this dichotomy and cannot be opposed to *exit*. To *voice* against the existing rules, one should also do a particular kind of *exit*, for example not to be among "loyalists" and join "others" or opponents. This explains why Hirschman has never distinguished these two different senses of *voice*. Such a clarification would have undermined his theoretical framework in terms of the dichotomy between *voice* and *exit*¹⁴.

In this paper, I define destructive power as 'scream' which embraces 'anti-systemic' conflicts against the existing rules. We will first focus on the relationship between 'scream' and 'voice'; then we will argue that the transition from 'scream' to 'voice' due to a trade-off between destructive and creative power is the source of institutional change.

3-1. Scream and voice

Destructive power is a form of expression and sometimes a very primitive one (for example, when it uses violence), although it has been largely improved and has become increasingly more sophisticated throughout history. The first method used by an infant or a child to express or impose her/his desire is crying. Crying, as personal destructive power of an infant (or a child), is also a communication method, and is used as a *signal*. Crying can bother parents and bring them to pay attention or to comply with the needs of the infant or child. However in earlier ages, crying can be regarded rather as a primitive signal than a wilful use of threat power by a child who has not yet mastered a more sophisticated or refined language. However while growing up, consciousness builds up and the learning capacity of the child allows her/him to talk. Now, s/he can use "crying", or "breaking things" and throw a tantrum more strategically to impose her/his desire on parents. Other methods, especially affective ones are also frequently used. Children giving orders to their parents and children trying to attract their attention and kindness reflect different types of relationships or *rules* established between children and parents. The type of relationship determines the relative weight of each method used to satisfy one's needs. If the rules of the game encourage reasoning and negotiating, then children will find it more advantageous to use other methods than crying or screaming to achieve their ends. In this sense, the rules of the game can contribute to replace *scream* by *voice*.

The first stage of English workers' collective consciousness against the unlimited capital domination was marked by destruction of machinery in the nineteenth century as if the machines were the source of unemployment and workers' misery. Luddism is the name of the first workers' reaction. Historians are not unanimous about the causes of violent destructive reaction of skilled textile workers towards frames, steam looms and water-pored coppers in the industrial heartland of England, especially in Lancashire, Nottinghamshire and Yorkshire during 1811-1817. According to David Landes (1998),

¹⁴ Hirschman has developed his theory of *Exit, Voice, and Loyalty* over a period of more than twenty years since the publication of his book in 1970. Thus, in reviewing Hirschman's concept of 'voice', one should take into account all his different contributions. I substantiated elsewhere (Vahabi, 2004, pp. 88-96) my critical remarks regarding Hirschman's ambiguous concept of 'voice'.

Luddites' opposition to technological change was due to their interests in keeping a production monopoly and to preserve their traditional manner of production. In his brilliant work, E.P. Thompson (1972, pp. 598-659) refutes the usual account about Luddism as a band of "thugs" who just wanted to smash up new technology. He presents an alternative story according to which Luddism was a "moment of *transitional* conflict. On the one hand, it looked backward to old customs and paternalist legislation which could never be revived; on the other hand, it tried to revive ancient rights in order to establish new precedents. At different times their demands included a legal minimum wage; the control of the 'sweating' of women or juveniles; arbitration; the engagement by the masters to find work for skilled men made redundant by machinery; the prohibition of shoddy work; the right to open trade union combination." (Thompson, 1972, p. 603). Luddism was a movement without national leadership or centre, and with scarcely any national objectives beyond common distress and the desire to overturn the Government. From one aspect, "Luddism may be seen as the nearest thing to a 'peasant's revolt' of industrial workers; instead of sacking the *châteaux*, the most immediate object which symbolized their oppression -the gig-mill or power-loom mill- was attacked." (Ibid., p. 656).

Historically speaking, Luddism is a *primitive* form of workers' collective movement, and a primitive form of expression of their dissatisfaction and protest¹⁵. The same thing can be said about city mobs or "political Luddism" in Hobsbawm's terminology: 'Church and King' movements are ...social protests, though revolutionary ones only in what I have called their 'Luddite' phases. Generally their object is to preserve the traditional form of social relationships, which implies an acceptance of the traditional hierarchy; though the secular dream of a genuinely and completely free society in which there are neither 'hats' nor 'caps' (to use the Sicilian phrase) occasionally bursts out in wild massacres." (1963, p. 120).

The city mob may be defined as the movement of all classes of the urban poor for the achievement of economic or political changes by direct action, namely by riot or rebellion. However, a mob is not inspired by a specific ideology, or if it finds any ideological expression for its aspirations, it will be in terms of traditionalism and conservatism. For instance, a riot can plead to the King's or Church's justice, as in the 'Church and King' movement. Nevertheless, a riot is a pre-political movement, and as such a *primitive* one. This does not mean that a city mob had no implicit or explicit ideas about politics. Indeed, it often rioted "without ideas", that is normally against unemployment and for a cheap cost of living and consequently markets, dealers and local taxes such as excises were in all countries its obvious and almost invariable targets.

¹⁵ In our times, there are several other movements that are either qualified or voluntarily vindicated to be "neo-Luddite". One of the most active forms of modern Luddism is the position taken by Green activists against the cultivation of genetically modified (GM) crops. Graffiti movement is another salient example. However, Luddism has taken other meanings nowadays; it is used sometimes as a synonym of opposition against technological change, sometimes as a tendency for "primitivism" and against civilization, sometimes as a movement against alienation, and in other times as a movement to preserve a "traditional manner of life or values". People described as "neo-Luddite" come from a variety of political backgrounds, socialist, liberal, and conservative.

Rioters, deprived of *creative* power (unemployed and poor), used their *destructive* power to get food or clothing. “The threat of perennial rioting kept rulers ready to control prices and to distribute work or largesse, or indeed to listen to their faithful commons on other matters.” (Hobsbawm, 1963, p. 116). Hence, rulers confronted with the threat of *destructive* power by rioters accorded them some economic advantages (creative power).

City mobs can be defined as “political Luddism”. They were a primitive form of expression compared to more advanced forms such as trade-unionism and voting. In fact, some Italian regions who were known for recurrent mobs, found themselves uneasy with modern methods of social conflict. For example, the Parmesans had the utmost difficulty in adjusting themselves to the new political techniques of the late nineteenth century, such as elections and trade unions, which they regarded as unnecessary. “Thus as late as 1890...the Parmesans still rioted in spite of their Reformist labour leaders, and in 1895, while Milan and the Romagna voted left, Parma did not. The ballot had not yet come, to be considered a serious weapon for the people.” (Hobsbawm, 1963, p. 116). The ballot and trade unions are new means of struggle which allow the establishment of a communication line between rulers and ruled ones and hence replace *scream* (city mobs or “political Luddism”) by *voice* (collective negotiation and elections). This is impossible without a radical change in the rules of game.

Taking an employer as a hostage or threatening him to death by a small group of workers may also be interpreted as a *primitive* form of expression. With the rise of workers’ collective movements, the need to use personal destructive power against individual employers has decreased. Instead, trade unions engage in collective negotiation with employers and this is a more efficient means of obtaining results for improving workers’ conditions than methods such as taking individual employers hostage or lynching them. Freeman highlights some of the major advantages of unionization: “The institution of voice in the labour market is trade unionism and collective bargaining. There are several reasons why collective rather than individual activity is necessary for voice to be effective within firms...The major advantages of unionization are that it provides: a direct channel of communication between workers and management; an alternative mode of expressing discontent than quitting, with consequent reduction in turnover costs and increases in specific training and work conditions; and social relations of production which can mitigate the problems associated with the authority relation in firms...It creates an institutional mechanism for innovation in labour contracts and what may be termed a “new market” for labour contracts...Union voice can be expected to reduce quit rates, absenteeism and related exit behaviour.” (1976, pp. 364-5).

These advantages are explained within Hirschman’s theoretical framework of *voice* versus *exit*. *Voice* is regarded as a collective action, whereas *exit* is defined as an individual reaction (Hirschman, 1970, 1974). However, another distinction should be made between two different types of collective action, namely *scream* and *voice*. While city mobs are an example of *scream*, collective negotiations through unions are an illustration of *voice*. Concerning trade unions, one should also distinguish between those which are not officially recognized by State and employers (for example, illegal workers’ unions in dictatorial regimes) and those which are considered to be part of industrial

relationships (for instance, legal trade unions in democratic regimes). The main difference between legal and illegal unions is the governing rules. While legal trade unions act as a device of *voice*, illegal ones are usually the means of *scream*, since their first and foremost demand is to change the constitutional or political rules and be authorized to act as a legal and open organization of workers.

3-2 Trade-off between creative and destructive power and institutionalisation of voice

As the human rights declaration clearly acknowledges, insurrection against a tyrannical regime that does not tolerate any form of opposition is a democratic and legitimate right of people. It was under the Jacobin regime that the first genuinely democratic constitution was proclaimed. In this noble but academic document, the people were offered “universal suffrage, the right of insurrection, work or maintenance, and – most significant of all – the official statement that the happiness of all was the aim of government and the people’s rights were to be not merely available but operative.” (Hobsbawm, 1962, p. 69). However, “universal suffrage” had to wait **quiet some time** to be achieved. The political system in Britain, France and Belgium was fundamentally the same until 1870: liberal institutions **were** safeguarded against democracy by property or educational qualifications for the voters (there were, initially, only 168000 of them in France) under a constitutional monarch (Hobsbawm, 1962, p. 111). In fact, this system was much like the institutions of the first moderate French constitution of 1791 and was very far from the Jacobins’. It is not surprising that the classical program around which the British working class frequently rallied was one of the simple parliamentary reforms as expressed in the ‘six Points’ of the People’s Charter¹⁶. In substance this programme was no different from the ‘Jacobinism’ of Paine’s generation, and was entirely compatible with the political radicalism of the Benthamite *middle* class reformers, as put forward by James Mill. In France, universal suffrage was instituted in 1848. However, despite the conservative outcome of April 1848 elections, subsequent by-elections frightened the conservative government of 1850 so much that in May it decreed residence and other requirements for having the right to vote and thereby indirectly disenfranchised some of the poorer sections of the population. These restrictions were then lifted in a shrewd move by Louis Napoléon for the purpose of the plebiscite of December 1851 (see Agulhon, 1973, pp. 149-151; Price, 1972, pp. 258-260, 322).

The transition to universal suffrage became possible not only because of the revolutionary movements of non proprietor classes, but also due to those moderate middle class reformers who advocated universal suffrage to avoid revolutions. In other words, the privileged classes finally accepted to give up their privilege in *creative* power (property, income, or education) because of the *destructive* power of non proprietor classes. The trade-off between *creative* and *destructive* power was the underlying social rationality of “universal suffrage” in the eyes of moderate middle class reformers. Hirschman also notes the relationship between “revolution” and “universal suffrage” and

¹⁶ “(1) Manhood suffrage, (2) Vote by Ballot, (3) Equal Electoral Districts, (4) Payment of Members of Parliament, (5) Annual Parliaments, (6) Abolition of property qualification for candidates.” (Hobsbawm, 1962, p. 114).

writes: “If insurrection is justified in the *absence* of free and general elections, as republican opinion maintained at the time, then, in counterpart, the implantation of universal suffrage could be held to be an antidote to revolutionary change. This was indeed the way the more conservative republicans saw it soon after the February Revolution, and the idea is well expressed in the contemporary slogan, “the universal suffrage closes the era of revolutions.” All of this is perfectly illustrated in an 1848 engraving (next page) showing a Parisian worker in a perplexed and even distraught mood as he discards his rifle for a ballot he is about to drop into an urn labelled ‘suffrage universel’.” (Hirschman, 1982, p. 113).

The French constitution of 1875 re-established universal suffrage after the fall of the Paris Commune in 1871. However, the young Republic was threatened in the 1877 by the authoritarian tendencies of General MacMahon, who had been appointed President for seven years in 1873. A few days before the elections, Gambetta, the “father of the Third Republic”, implored particularly conservative opinion to stand by universal suffrage. Gambetta defended “universal suffrage” in the parliament in these terms: “How could you fail to understand that, if the universal suffrage functions in the fullness of its sovereignty, *revolution is no longer possible* because revolution can no longer be attempted and that a coup d’état need no longer be feared when France has spoken?” (quoted in Hirschman, 1982, p. 113). Hirschman also cites Leslie Stephen, the critic, essayist, and historian of ideas who wrote in favour of reform rather along the lines of Gambetta. “In England, of course, he had to argue, not that revolutions would no longer occur *with* the extended suffrage, but, somewhat more imaginatively, that they were threatening *without* it.” (Hirschman, 1982, p. 115). Moreover, Stephen argued that, once in Parliament, that is, “out in the open”, the workers’ representatives would become domesticated and even divided. Put differently, the vote *delegitimizes* more direct, intense, and “expressive forms of political action that are both more effective and more satisfying.” (Hirschman, 1982, p. 117).

Some doubts can be casted whether the recourse to revolution is only related to the lack of “universal suffrage”. The reason for such doubts might be better explained in the light of the English experience. Why were revolutions not so common in this country compared to France? For one thing, universal suffrage was established much later in England than it was in France. However, in Britain, the United States, Switzerland, the Netherlands and Scandinavia, a long-established tradition of mass agitation and organization as part of *normal social life* (and not immediately pre or post revolutionary) existed. Even in constitutional countries like Belgium and France, the legal agitation of the extreme left was only intermittently allowed, and its organizations were often illegal. Consequently, while a restricted democracy existed among the privileged classes of society, the fundamental devices of mass politics, such as public campaigns to put pressure on governments, mass organizations, petitions, public speeches and the like were only rarely possible. As Hobsbawm rightly reminds us, “Outside Britain nobody would have seriously thought of achieving universal parliamentary franchise by a mass campaign of signatures and public demonstrations or to abolish an unpopular law by a mass advertising and pressure campaign, as Chartism and the Anti-Corn Law League

tried respectively to do. Major constitutional changes mean a break with legality, and so *a fortiori* did major social changes.” (1962, p. 127).

In fact, the major difference between Britain and France was that *mass politics* were tolerated in England as a means of change, whereas in France this method of expression was inefficient. Universal suffrage in France was a way to institutionalize *mass politics*, and in this sense it played the same role as “mass campaigns” in England. It is not “universal suffrage” in itself which makes the difference. For instance, during the Shah’s period in Iran “universal suffrage” officially existed, but there was almost no political freedom to use the right to vote and express freely one’s political preferences, or to exert some political pressure on the government. Hence, “universal suffrage” became a dead letter and its only use was to provide “international legitimacy” to the Shah’s autocratic decisions. The same thing can be said during Khatemi’s recent presidency in Iran. People massively participated in presidential, parliamentary, and local council elections during 1997-2002. However, with the increasing participation in elections, the real authority of elective bodies decreased and non elective bodies concentrated all power in their hands under the supervision of Khameni as Vali-Faghih (the supreme religious authority).

Hence, the crucial question regarding major social changes undermining existing rules is whether the institutionalization of *voice* (mass politics) can avoid *scream* (revolutionary outbursts) or not. This problem cannot be studied within the Hirschman dichotomy of *voice* versus *exit*. The institutionalisation of *voice* (which Rokkam, 1974, p. 33, calls “domestication of violence”) and the prevention of *scream* depends on the trade-off between *creative* and *destructive* power of different opposing social groups and their particular compromises and alliances. Russell’s remark concerning the advantages of a democratic government in preventing civil war is insightful: “This is not to say that there is a better form of government than democracy. It is only to say that there are issues as to which men will fight, and when they arise no form of government can prevent civil war. One of the most important purposes of government should be to prevent issues from becoming so acute as to lead to civil war; and from this point of view democracy, where it is habitual, is probably preferable to any other known form of government. The difficulty of democracy, as a form of government, is that it demands a readiness for compromise.” ([1938] 1971, p. 131).

Now we can redefine “exit”, “voice”, and “scream” in terms of *creative* and *destructive* power¹⁷. In my opinion, “exit” is part of economic or *creative* power, although a negative use of this power, whereas “voice” is the result of a trade-off between *creative* and *destructive* power, and “scream” is part of *destructive* power. Workers and capitalists both have “exit” power. However it should be noted that the workers’ power to quit their jobs is not as strong as the capitalists’ power to “remove their stock” or resort to “capital flight”. According to the converging testimony of Montesquieu, Sir James Steuart, and Adam Smith, the power of the state is challenged by the ability of capital and capitalists to “vote with their feet”. Because “capital flight” is a good indicator to gauge “business climate” in a country (see Hirschman, 1981, pp. 253-58). In political contest, “exit” can be illustrated by “emigration”, whereas “voice” represents pressures through mass

¹⁷ “Silence” can be depicted as the non use of either destructive or creative power.

campaigns, elections, or other channels of legal or participatory politics, and “scream” stands for “revolution”, civil disobedience, or other forms of radical mobilisation such as general strike, riots, and massive or non peaceful manifestations. While “exit” does not directly question existing rules, “voice” attempts to bring change within these rules, and “scream” undermines them. “Exit” or “voting with feet” is an indirect way of expressing dissatisfaction¹⁸, whereas “voice” and “scream” are direct forms of expression.

Conclusion

In analysing the role of destructive power in the enforcement of rules, we identified two channels: sanctioning mechanism and protection of property rights. The first one hinges upon transaction costs and the degree of perceived uncertainty by ruling or powerful social groups regarding their *desired* social order. This does not mean that non-dominant groups have no power to provoke social violence; it only means that such groups have a marginal or secondary role in the enforcement process. The second channel depends on the state of historical process of fusion or separation between destructive and creative powers. Nevertheless, the inseparability of sovereignty and property rights always gives a prominent role to destructive power in the enforcement of rules regardless of the level of autonomy of creative power from destructive power.

Conquest, revolution and other forms of destructive power contribute to institutional change through a trade-off between the destructive power of dominated groups and the creative power of dominant groups. This trade-off leads to the transition of ‘scream’ to ‘voice’ and the domestication of violence. In this sense, contrary to what North claims, institutional change is not limited to incremental change in informal rules. It also embraces sudden, rapid, and unexpected political changes riddled with radical uncertainty. The application of punctuated equilibrium in politics provides a theoretical justification for the change in rules through revolution, or great political upheavals. In this context, “discontinuous change” in formal rules should not be **considered** as less important than incremental change of informal rules with regard to institutional change.

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¹⁸ Regarding the impact of the emigration of *persons*, Turgot wrote to Richard Price: “The asylum which (the American people) opens to the oppressed of all nations must console the earth. The ease with which it will now be possible to take advantage of this situation, and thus to escape from the consequences of a bad government, will oblige the European Governments to be just and enlightened.” (quoted by Hirschman, 1981, p. 255). As Hirschman rightly observes, Turgot argues about the state losing citizens as though it were a firm impelled by the exit of customers to improve its performance.

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