Uncertainty, Instability, and the Control of Markets

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Abstract

Grounded in the methodological commitments shared by various traditions in heterodox economics, this paper explores going enterprises' cooperative actions to control markets through social networks. It is argued that 1) market institutions are created and controlled by business enterprises and the state, that 2) competition and cooperation among business enterprises are two sides of the same coin, that 3) competition is regulated, and hence that 4) market instability is managed, if not eliminated, by those who control the market. Such arguments lead to the managed competition thesis that encompasses corporate governance, market governance, and market regulation in an integrative manner.

Key words: Market control, managed competition, uncertainty, instability

JEL Codes: B5, D4, D8

Doubt is not a pleasant situation, but certainty is absurd. — Voltaire

1 Introduction

Imagine there is no uncertainty. Instability, crisis, and even the control of anything would never present themselves. This is a heavenly world. An economic theory without uncertainty in the "fundamental" sense is, therefore, absurd since such a theory is taken out of the historical, social, institutional, and cultural context. The widespread presence of this absurdity in economics is "artificial stupidity" with a particular purpose—envisaging a conflictless, frictionless, and harmonious economy and, thereby, protecting the status quo and vested interests of the time. The minority ruling class has thus far successfully propagated the illusionary vision of the society. The present dominance of neoclassical-mainstream economics, market-fundamentalism, neoliberalism, or laissez-faireism is a clear evidence (Briffault 1936, 31-50; Henry 2009; Veblen 1919).

Matter-of-fact fundamental uncertainty is two-sided. Not only does it make human beings and human-made organizations alive and going, but also renders their social lives vulnerable and economy unstable. To be alive and well, acting persons and emergent organizations should undertake strategic decisions and actions. Decisions give rise to irreversible and unintended outcomes such as bankruptcies and crises that cannot be expected *a priori* in a probabilistic sense. Vulnerability in life as well as instability in economy do not disappear as long as fundamental uncertainty is a fact of life. We, however, do not observe a complete collapse of the entire economic system. It is not because the capitalist system fixes itself, but because acting persons embedded in the system control the social provisioning process in one way or another so as to contain the instability of the economy. Managed stability is thus a necessary condition for being a going concern over historical time. For this very reason, the market system in particular or the social provisioning process in general is inherently unstable as well as made to be stable. Control also implies socio-economic power or capability that is indispensable to capitalism or any hierarchical societies (Jo, Chester and King 2012; Jo 2012; Lee 2012).

Such a vision of economy and society demands that an economic theory of markets and competition be socially and historically grounded. In order to deal with market control in the social context, the present paper argues that the theory should be a micro-macro integrative narrative of the social provisioning process. That is to say, fundamental uncertainty is in the first place translated into a particular agent's decision through the formation of expectations. Purposeful actions lead to outcomes which in turn confine following decisions and actions. Agents and structures bear a reciprocal relationship. The conventional micro-macro dichotomy is therefore rejected; so is micro- or macro-reductionism. Let us elaborate a bit further on this methodological position so as to set the tone for the ensuing argument.

> [O]ur lives are micro ... [so what is obvious is] the micro-translation of macro structures to get through to the reality of how social structure is impinging upon individuals. (Collins 1988, 244)

> [S]ystemic properties are always the ('macro') *context* confronted by ('micro') social interaction, whilst social activities between people ('micro') represent the *environment* in which the ('macro') features of systems are either reproduced or transformed. (Archer 1995, 11, original emphasis)

> [S]ystemism maintains that a society is a system of interrelated, interacting individuals, and that it possesses emergent, or supra-individual, properties, so that it ought to be studied at both micro and macro levels ... systemists start from individuals embedded in a society that preexists them and watch how their actions affect society and alter it. (Bunge 1996, 241)

To put these methodological claims in the economic context, market instability is understood adequately if one takes into account strategic decisions made by acting persons, rather than reducing instability to the variabilities in aggregate variables. It is actual decisions and actions that generate data, not the other way around, although data then are used in part to make decisions and undertake actions. It follows that a theory or model in which macro data are analyzed independently of the reciprocal relationship or in which macro structures behave themselves makes no sense insofar as we are concerned about the historical changes in the social provisioning process (Jo 2011*b*). Wassily Leontief makes his point on this fallacy of aggregation clearly:

> Instead of constructing theoretical models capable of preserving the identity of hundreds, even thousands, of variables needed for the concrete description and analysis of a modern economy, they first of all resort to "aggregation." The primary information, however detailed, is packaged in a relatively small number of bundles labeled "Capital," "Labor," "Raw Materials," "Intermediate Goods," "General Price Level," and so on. These bundles are then usually fitted into a "model," that is, a small system of equations describing the entire economy in terms of a small number of corresponding "aggregative" variables. (Leontief 1983, viii)

By the same token, disaggregation (or reductionism) is as spurious as aggregation (or holism):

> [T]he degree of aggregation is limited because of the existence of structures that cannot be aggregated or disaggregated and human intentionality and activity

> which are both differentiated and specific. As a result, historical theories are neither aggregate theories where the differentiation among the causal mechanisms, structures and human agency disappears; nor such disaggregated theories where causal mechanisms, structures and human agency are individual-event specific and hence of small interest. (Lee 2002, 801)

Grounded in the foregoing methodological commitments shared by various traditions in heterodox economics,[1] this paper explores going enterprises' cooperative actions to control markets through social networks. It is argued that 1) market institutions are created and controlled by business enterprises and the state, that 2) competition and cooperation among business enterprises are two sides of the same coin, that 3) competition is regulated, and hence that 4) market instability is managed, if not eliminated, by those who control the market.

With this objective, this paper is structured as follows. The next section delineates the mainstream theory of market competition which is disconnected from the reality because the relationship between the business enterprise and the market is misplaced. By contrast, the heterodox approach offers that the business enterprise and markets are socially constructed and thereby socially controlled. The third section delves into three modes of control. In so doing, the managed competition thesis is proposed by incorporating three modes of control—corporate governance, market governance, and market regulation—in an integrative manner. The final section concludes the paper.

2 The Business Enterprise and the Market: Contending Approaches

2.1 Self-Control of Markets: The Case of Neoclassical Economics

If the business enterprise is viewed as an optimizing individual making a living in logical time, the concept of market control is virtually redundant. Instead, it is the market that controls itself. To be precise, a given 'structure' of markets defines what the enterprise has to do to meet the optimality condition. What remains in the market is an impersonal, machine-like, agent that is taken out of the social and historical context.

[1] This is not to say that most heterodox approaches share such a methodological position. Rather this position is taken by a relatively small group of heterodox economists, in particular heterodox microeconomists who are most concerned about establishing economic theory linking micro and macro levels. Most heterodox macroeconomists stop short of linking the micro and the macro. As a result, the importace of agency in economic theory is lacking. For this issue, see Lee and Jo (2013).

For example, a price is given to a firm in the competitive market and, thereby, the optimal quantity produced/sold for an individual firm is determined accordingly and automatically. A single firm in the monopolistic market determines the market price and quantity. Note here that the monopolistic 'structure' should be known *a priori* and fixed to explain how this single firm endowed with complete market power 'controls' price and quantity. The boundary between the market and the firm disappears. It goes without saying that the same principle applies to oligopoly or any other structures of the market. Consider the Cournot or Stackelberg oligopoly model. The market is equally divided by two identical firms or the one firm is designated as the leader and the other is the follower. Once a structure of the market is known, the rational behavior of the firm follows. There is no need to consider what happens inside the firm and in the market.

The question that how such a rule of game is established and altered entirely eclipses in the neoclassical theory of the market. This is because a change in the market structure is the 'natural' outcome of 'universal' optimal decisions, and because logical time and calculable uncertainty eliminate strategic decisions qua agency. That is to say, the distinction between the firm (an agent) and the market (the structure) is unnecessary. Consequently, the neoclassical theory of the firm coupled with the efficient market theory, not surprisingly, not only remains mum on market control with the unquestioned premise that the market controls itself.

Similarly, the new institutionalist theory of the firm in which the business enterprise is treated as a transaction cost minimizing entity fails to offer an historical account of market control, since not only is the business enterprise in parallel with the market, but also the structure of the market is assumed to be efficient. If it is an efficient, self-controlling 'institution', the market should not be controlled. Perhaps the only story of control that can be told from the new institutionalist perspective is the self-control of the business enterprise by means of the optimizing behavior of rational principals (owners) and of rational agents (management and workers) given technical constraints (that is, asset specificities). It follows that resulting outcomes and the organizational structure of the business enterprise are efficient. Otherwise, there is no reason for the enterprise to exist in the market. Apparently, such a corporate control theory is inadequate in explaining recurrent corporate scandals, unexpected bankruptcies, and various social networks among enterprises. Even the addition of bounded rationality to the set of core mainstream assumptions, although it allows agents to make errors, does not alter the optimal decision making principle since bounded rationality or the lack of information only increases the cost of contract which could be optimized by rational individuals (Fligstein 2001, 172-6; Groenewegen 2004; Lazonick 2012; Mayhew 1998; Soederberg 2010, 47-51; Widmer 2011, 683).

In summary, mainstream theories of the firm/market posit that the market is not the object to be controlled, but something to be taken for granted as a natural and universal constraint of economic activities. The market rules the roost. The faith in the market system as *the* efficient resource allocator prevents faith-holders from explaining actually existing social institutions and networks of control and, thereby, from envisioning an alternative mode of provisioning (Cumbers and McMaster 2012; Jo, Chester and King 2012).

2.2 Control of Markets by the Business Enterprise: A Heterodox Economic Approach

2.2.1 Going Enterprise and Control

Optimizing enterprise behaviors are incompatible with the concept of market control, since the latter presupposes the survival and reproduction of the business enterprise in historical time and in the social context—its historical emergence, its socio-economic power, and its actual decision-making mechanisms. In order for the analysis of market control to be adequate and relevant with a close reference to fundamental uncertainty and instability, it is necessary to conceptualize the business enterprise as a going concern. The going enterprise operating in historical time on a continuous basis implies that it is a real entity, an emergent organization, and a social agent that is not only embedded in but also controlling, individually or collectively, a particular market. To be a going concern, the business enterprise is required to control itself and others by making and enforcing working rules. To control itself, it needs to be structured—e.g., a production structure (a "going plant") and a managerial structure (a "going business"). To be able to control others, a going concern needs power granted by law or acquired as a result of past activities. The latter further implies that the business enterprise cannot be separated from the surrounding provisioning process (Veblen 1904; Commons 1974, Ch. 5; Eichner 1976, Ch. 2; Ramstad 2001; Lee 2010; 2012).

The business enterprise as a real entity, as opposed to a hypothetical optimizing firm, encapsulates that it is born, lives, and dies independently of the lifespan of constituting agents, and that it engages in an array of continuous activities so as to survive and reproduce itself over an extended period of time. To this end, strategic decisions, as opposed to optimal decisions, are put into practice. Two classes of strategic decisions are identified. Firstly, enterprise's habitual conducts reflect fundamental uncertainty in that entrepreneur-decision makers often have no choice but to rely on instituted habits (or working rules of accounting, costing, and pricing) within the enterprise given unknowable future and the fallibility in their decisions. Habits or routines thus suggest that the decision-making process is both path-dependent and forward-looking. Secondly, the survival and growth of the enterprise under fundamental uncertainty and instability also requires momentous decisions in a strategic manner, which could be pernicous to the life of the enterprise itself (Veblen 1898; Hodgson and Knudsen 2004; Lee 2012).

Being an emergent organization, the business enterprise emerges out of the interactions of involving actors, but it cannot be reducible to them. The business enterprise has its own capability which gives it a life with goals and means that are not necessarily consistent with those of individual owners, managers, and workers (Lawson 2003, 43-4). On this score it is implausible that the enterprise is conceived as a profit-maximizing individual, that optimal business decisions are made in the sole interest of owners, or that the interests of owners and managers are conflated through efficient markets. Such an implausibility is, however, legitimized by the mainstream theory of the firm. More specifically, the shareholder value theory places the market above all the acting persons and, thereby, obscures deliberate enterprise activities and other social forces that control the market (Ho 2009, Ch. 4; Soederberg 2010, Ch. 3).

Emergent properties also suggest that the business enterprise is a social agent that is socially created and managed. A case in point is the creation of the corporation in the 19th century, which was rendered possible by the political-legal process in the interest of the emerging industrial capitalists as well as the rentier class. Since then the corporate form of the business enterprise has obtained its dominant position in economy and society by virtue of the creation of liberal values, norms, and ideologies that were necessary to legitimize corporate activities. Another case is the making of various social networks such as cartels and trade associations that are established to gain control over markets in which those members are participating (this point is elaborated later). Embedded in the capitalist society the business enterprise as a social agent has social lives connected through social networks. All business activities are, therefore, social in the sense that their actions take place and have meanings only in the social context (Polanyi 1968; Gruchy 1987; Lee 2012; Ireland 2010; Jo 2011*a*).

2.2.2 Market and Control

Like the business enterprise the market is a social creation. The capitalist market is created and managed by the ruling class of society through the capitalist class agency (that is, the business enterprise) in conjunction with the capitalist state. Since the business enterprise must generate cash flows for the sake of survival and reproduction, there must exist continuous flows of market transactions denominated in state money. The continuity in the flow of profits, goods, and services requires the stability in the market provisioning process. And the stability, in principle, requires working rules, rule-makers, and an array of actions of control following the instituted working rules. Therefore, a market is a social structure which is subject to change if the dominant agent or the rule-maker wishes to do so.

The view of the market as a social structure illustrated above is shared by most traditions in heterodox economics. For example, a monetary production economy is inherently unstable due to fundamental uncertainty and volatile expectations that result in the fluctuations in effective demand (Keynes 1936; Minsky 1986); the industrial society dominated by business institutions and business principles is prone to disturbances in a chronic manner (Veblen 1904; 1921); the capitalist economy is moving toward a secular stagnation as a result of its normal functioning coupled with the tendency of industrial concentration (Baran and Sweezy 1966; Steindl 1952); and the class-based capitalist system is its own gravedigger due to class conflicts and the capitalist laws of motion (Marx 1990; Marx and Engels 1848). From those heterodox perspectives on the capitalist system it follows that while the instability of the market system is unavoidable, it can/should be contained by various means of control if the ruling actors of the society desire to maintain the existing socio-economic order. Otherwise, an alternative provisioning process should replace the existing one. The next section delineates how the business enterprise and the state control the market.

3 Market Control and the Managed Competition Thesis

3.1 Three Modes of Market Control

Foregoing discussions from the heterodox economic perspective have given us an obvious reason why the capitalist market system and the business enterprise therein require control. To make a long story short, instability in the social provisioning process is the outcome of normal functioning of the capitalist market system and, consequently, the social life and material welfare of social agents connected through a multitude of socio-economic relations are vulnerable. Market control, as evidenced by abound historical occasions, saves private business enterprises by stabilizing the market. This is the main purpose of market control, which is almost completely ignored by mainstream economists and market fundamentalists alike. Market control is undertaken by those who benefit most from it—the business enterprise seeking survival and expansion as well as the state seeking social stability. These dominant capitalist class agents are side by side insofar as they pursue the stability in their own going concerns. It follows that the interest of the working/dependent class is, although they are most severely influenced by instability, taken into account only if it is necessary for the ruling class to protect its own vested interests. In this regard, market control or any other control by the ruling class is in its nature conservative.[2] In plain words, a market does not control itself, its constituents, and surrounding institutions, although the neoclassical theory of the firm/market assumes otherwise. It is the interactions or often cooperations between dominant agents of the time that control and, hence, reproduce or transform the market (Veblen 1923; Kolko 1963; Eichner 1969; Meyer 1986; Fligstein 1990; 2001; Prechel 2000; Rosenberg 2001; Jo 2011*b*; 2013; Lee 2012).

Then the question boils down to how markets are controlled for the purpose stated above in the face of cyclical market instability. On this question economists of heterodox persuasions

[2] A "conservative triumph" is Gabriel Kolko's (1963) interpretation of the "progressive era" in the United State in the early 20th century. He argues that "there was an effort to preserve the basic social and economic relations essential to a capitalist society, an effort that was frequently consciously as well as functionally conservative" (Kolko 1963, 2).

and economic sociologists, in particular, have gone to great length as referenced above and below. Three interrelated, but distinctive, modes of control can be distinguished conceptually and historically—that is, corporate governance, market governance, and market regulation.[3] Here I define market governance as an array of cooperative enterprise activities aiming at controlling the market by means of establishing social networks within the market, while market regulation refers to government's legal enforcement or establishing regulatory institutions in a particular market. Corporate governance is also to be treated as part of market control to the extent that the organizational structure of a corporation is managed in order to secure profitability and reproducibility of the private enterprise, which is directly linked to the changes in the market.[4]

3.2 The Managed Competition Thesis

An alternative thesis proposed here from the heterodox microeconomic perspective is that all three modes of market control are required by business enterprises with the help of the state so as to cope with market instability. All markets, whether competitive or otherwise, constituted by going concerns, whether big or small, involve "managed competition" (Lee 2013), "regulated competition" (Lee 2012; Berk 2009),[5] or "controlled competition" (Pribram 1935),[6] rather than the degree of competition or market structure determines market prices (through profit-markups) and enterprise activities. That is, the market (and competition therein) is not only regulated by the state, but also controlled by business enterprises through various cooperative social networks and organizations. Competition and control coexist in the form of managed competition. Market control is not contradictory to market competition from the vantage point of managed competition (Fear 2006). These propositions of the managed competition thesis are, as delineated later, derived historically and because of the

[3]Other groupings of corporate/market control have also been used. For example, Baskoy (2012) include all three modes of control in the name of "market governance," with a more emphasis on market regulation and less on market governance by business enterprises. Fligstein (1990) proposes three modes of control in a chronological manner—that is, direct control of competition (mid-to-late 19th century), manufacturing conception of control (that is, discouraging competition through raising costs in the early 20th century), and finance conception of control (that is, evaluating corporations in terms of its financial value since mid-20th century). These modes of control are examined in this paper, but not in the same manner.

[4]In the mainstream economics literature, the main goal of corporate governance is establishing a set of rules that would motivate participating actors such as owners, management, and workers in the interest of the corporation (Dixit 2008). Such a conventional view presumes the corporation as a stock-value maximizing entity operating in an efficient market. It does not explain, as argued earlier, how changes in the corporate structure are connected to the structurally unstable market process and to other modes of control. As argued in the present paper, stock-value maximization is rendered impossible under fundamental uncertainty.

[5]This term was coined and developed by Louis D. Brandeis in the early 20th century.

[6]There are slight variances in the meaning of these terms used by different authors in different times. Suffice it to say that, however, all these approaches to competition reject the traditional dichotomy between competition and control and, instead, focus attention to cooperative actions between private enterprises and the state. The term"managed" competition is preferred in the present paper to the extent that this term lays stress on cooperative qua strategic actions of the business enterprise.

very reason the thesis is historically contingent.

Aside from the historical relevance of the thesis, some theoretical implications are worth mentioning in order to distinguish the thesis from other traditional approaches to market competition/control. Firstly, the thesis reverses the conventional causation that runs from structure to behavior. Instead, it is the strategic decisions that drive the life-and-death struggle of agents against fundamental uncertainty and instability. In doing so markets are controlled and the changes in the market structure follow. The thesis thus runs counter to the neoclassical theory of competition in which a given market structure rules the roost, and in which the market structure is the taken-for-granted constraint for all individual optimizers. Likewise, although it arises from a completely different theoretical tradition, the monopoly capital school's argument that the given degree of competition sets the stage for enterprise behaviors and market outcomes—price and quantity—becomes theoretically questionable (Bina 2012; Lee 2013). What the thesis implies is that the existing market structure is subject to transformation. The characteristic and direction of the change is of course largely influenced by the dominant actor of the time. Therefore, as Gabriel Kolko observes, "[i]t was never a question of regulation or no regulation, of state control or laissez faire; there were, rather, the questions of what kind of regulation and by whom" (Kolko 1963, 4).

Secondly, the managed competition thesis is reinforced by the administered price doctrine, and *vice versa*. The gist of the doctrine first theorized by Gardiner Means is that a going enterprise in the manufacturing sector in particular requires stable flows of profits that is assisted by price stability; thus product prices are determined and administered by the enterprise with a given, but not fixed, target rate of profits and a flow rate of output. But this is not the sufficient condition for them to be a going concern. In addition, going enterprises in the market organize themselves in order to achieve their own goals. The behavior of enterprises (e.g., adopting a common costing/accounting principle) and the outcomes of markets (e.g., a common price, quota) are coordinated by market governance organizations such as trade associations and cartels. It goes without saying that the establishment of those organizations are granted by the state. Therefore, competition is managed, markets are controlled, instability is reduced (if not eliminated), and business enterprises are ongoing (Lee 1998, Part I; Samuels and Medema 1990; Kregel 1980; Howe 1972-3). To quote Means:

> I [Means] regard administered prices as a good thing. They make for economic efficiency. I doubt if we could have the efficiencies of modern industry without administered prices. The big mass-production corporations could not operate without administered prices. (Means to Jerry Cohen, 20 March 1964. p.2.; quoted in Samuels and Medema (1990, 63))

In a nutshell, in view of the managed competition thesis coupled with the administered price doctrine, prices do not coordinate enterprise activities. Prices arise in the course of strategic, cooperative, and organized enterprise activities. Resulting prices do not clear markets. Nor does the market control itself and participating enterprises. Our thesis thus frees us from the straitjacket of market fundamentalism. And the argument that market control is pernicious to private enterprises appears to be 'artificial stupidity.' In what follows we will illustrate the historical relevance of the managed competition thesis with a focus on the connection between three modes of control.

Let us consider, albeit briefly, a series of actions and reactions undertaken by private enterprises vis-à-vis the state in response to the cyclical instability in the market. Circa 1850 the modern corporate form of the business enterprise was established by law—for example, the British corporate law coupled with limited liability in 1844 and the first U.S. corporate law in 1855 (the state of Delaware)—in the interest of emerging industrial and financial capitalists after the industrial revolution. The rapid growth in the number and size of the corporations at the early stage of industrial capitalism gave rise to intense industrial competition that was translated into increasing instability in the market as well as decreasing profitability on the corporate side. Encountering such troubles, corporations organized themselves or forced "rival enterprises to come to terms" (Veblen 1904, 32, fn.1) in the form of trade associations and cartels, which aimed immediately at avoiding price wars (e.g. via price fixing) and aimed ultimately at reproducing themselves via reduced instability. Avoiding prices wars, going enterprises competed with each other on different grounds—such as investment, financing, production technology, advertisement, and the like that could improve industrial-cost efficiency (Lee 2012, 169). Such a mutifaceted market governance scheme was, however, insufficient to achieve the ultimate goal. Occasionally, coalition arrangements were accompanied by tariff protection and export subsidies granted by the government. Moreover, individual enterprises made all sorts of efforts to rationalize themselves to improve industrial efficiency. Even the German government promoted "rational" monopoly with the rationale that it was more rewarding than wasteful competition (Clapham 1963, 303-14). That is to say, "[i]ronically, contrary to the consensus of historians [and economists alike], it was not the existence of monopoly that caused the federal government to intervene in the economy, but the lack of it" (Kolko 1963, 5). With regard to the reorganization of enterprises, it should be noted that owner-entrepreneurs like Cornelius Vanderbilt, John D. Rockerfeller, and J.P. Morgan undertook mergers that were mostly horizontal integrations in order to gain control over existing competitors. In the course of mergers and acquisitions, holding companies and trusts emerged.

All of such maneuvers—that is, managed competition—led to the first Great Merger movement (1897–1904) after the depression of 1893. As a result, big corporations emerged in major industries in the U.S.—e.g., metals, food products, petroleum, railroads, chemicals, transportation equipment, fabricated metal production, machinery, and bituminous coal. The industrial consolidation also nourished speculative activities and the emergence of Wall Street bankers.[7] However, the Merger Movement and temporary prosperity were closed by

[7] On a side note, it then may well be that the tendency toward the financialization of capitalist economy or

the (Rich Man's) Panic of 1907, which led to further concentration in industry via the second merger movement (1922–1929). Into the era of "credit economy" entered capitalism thereafter (Veblen 1904). On the other hand, the U.S. government responded to severe instability in the market system by establishing the Federal Reserve System (1913). Nevertheless, the capitalist system could not escape the Crash of 1929 and the Great Depression that was followed by the Glass-Steagall Act (1933), the creation of the Federal Deposit Insurance Corporation (1933), and the New Deal (1933-6) (Eichner 1969, Ch.1; Blair 1972; Ganley 2011; Fligstein 1990). History is replete with similar purposeful actions, unintended outcomes, and responses along with cyclical instabilities or crises.[8]

History is, however, never pre-determined, but open-ended because of purposeful social agents. Cyclical market instability is kept in check by the control of markets in the interest of going enterprises and the state. So they undertake an array of concrete and real actions such as increasing market share, increasing profit mark-up, innovating production process, developing new products, creating new markets, entering new markets, and seeking government support (Lee 2012, 166). These actions have real effects on markets, industries, and the economy as a whole via emergent social networks like cartels in various forms: for example, contractual or conditional cartels, patent cartels, discounting cartels, tender cartels, customer cartels, territorial cartels, quota cartels, price cartels, syndicates, import/export cartels, recession cartels, and so on (Fear 2006, 6). As a consequence, markets are stabilized, the vested interest of the ruling class is protected, and the capitalist system survives thus far. Indeed, it is "improvement" from the viewpoint of the ruling class. That is to say,

> all human institutions are susceptible of improvement, and the course of improvement may now and again ... result in supersession and displacement. And doubtless it is all for the best ... for the good of business, more particularly for the profit of big business (Veblen 1921, 49).

As capitalism has evolved, three modes of control have changed their appearance due to new social institutions, rules, and culture. What is not changing is the fact that a going enterprise has to wrestle with increasing instability because it is central to their survival and reproduction. Self-control (corporate governance), cooperative control (market governance), or governmental control (market regulation) alone has never been successful for the reproduction of individual going concerns, of the market, and of the economy as a whole. As

the financialization of non-financial enterprises is deep-rooted in capitalism. Financialization might increase monetary profits. It, however engenders the stability and viability of the social provisioning process in which financial gains are generated. As noted earlier, such a self-destructive characteristic of the capitalist system was what Marx, Veblen, and Keynes anticipated. And this is supportive of the present argument that the control of economy (and markets therein) should be exercised by the social class that benefits most from financialization. For the detailed discussion of the reciprocal relationship between financialization and the social provisioning process, see Jo and Henry (2013).

[8] On the history and causal explanation of merger waves, I would refer readers to McCarthy (2013).

illustrated above, all three modes of control in the context of managed competition should be put into place, if the existing socio-economic order is to be protected.

4 Conclusion

Market control is fully understood if it is linked to fundamental uncertainty and cyclical instability inherent to the capitalist system. Since the latter are outside the area of concern to most variants of mainstream economists, the former cannot be analyzed by the same sort of economists in a relevant manner. Instead, it is widely believed that the market controls itself, and that rational firms follow a given set of rules defined by the structure of the market. The causality from structure to agency (and thereby the minimal role of agency) is also found in some heterodox economic approaches—e.g., the monopoly capital school. In the present paper this causality is reversed; it is purposeful going enterprises that control the market and change the market structure in order for them to achieve their own goals—survival and reproduction over historical time.

From this vantage point the following question is raised and discussed: How are markets controlled by the business enterprise in the face of cyclical market instability? In brief, going enterprises in coalition exercise their control power over markets, regardless of the degree of competition, via three interrelated, but distinctive, modes of control—corporate governance, market governance, and market regulation. This managed competition thesis further suggests that competition and control are two sides of the same coin, or that, in other words, market control is not contradictory to market competition. In this regard, social networks, such as trade associations and cartels, established by going enterprises are instability-reducing organizations that are conducive to the survival and reproduction of business enterprises. Of course, market control is not the sufficient condition for achieving those goals. It is part of an array of strategic, cooperative, organized actions undertaken by the business enterprise.

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