Abstract: It is argued that the neglect of power means that neoclassical economists cannot fully answer the core problem they define their discipline by, since marginal productivity theory provides only a partial explanation of the distribution of income and wealth. Because standard textbooks ignore power considerations, and blur the distinction between functional and personal distributions of income, they cannot provide an adequate answer to the For Whom part of the scarcity question by which neoclassical economics defines itself. This, it is argued, is a fundamental failing and the source of much dissatisfaction with and cynicism about economics in today’s world.

Given the deliberate distancing of mainstream economics from political economy over the past 100–150 years, it is not surprising that considerations of power in anything but very narrowly defined terms have disappeared from the teaching of economics. Hill and Myatt (2010) have reviewed the most commonly used textbooks used in teaching economics today and find that the word “power” appears only in references to purchasing power, examples of market power such as monopoly, oligopoly and so on and bargaining power in cooperative game theory. Similarly, Monvoisin and Rochon (2006/2007, p. 28) say they have looked at a great many of the main textbooks and found that, whatever the level, all are “conspicuously silent” on power. The result is that, for many, mainstream economics has lost its relevance to major problems such as inequality and poverty, unemployment, Third World development, banking and financial crises, and the intergenerational equity challenges posed by climate change, in all of which power relationships – whether between individuals, groups of people, people and the state, organisations and enterprises, nation states or generations – play a considerable role. As noted in one of the quotations that begin this book, J.K. Galbraith (1973, p. 2) called this the “decisive weakness in neoclassical economics” that “destroys its relation with the real world”.

In terms of teaching future economists, the neglect of power means that mainstream economists cannot fully answer the core problem they define their own discipline by, so that even by its own internal criteria, neoclassical economics fails to deliver. As noted earlier, this situation has developed, barely noticed or remarked upon, since Lionel Robbins’ (1932) seminal essay criticising notions of cardinal utility and interpersonal comparability, which led to neoclassical economists defining their discipline in terms of the scarcity of goods and services instead of the economic welfare of people.

Economics textbooks typically open with a statement of the “economic problem” whereby, following Robbins, all societies have to reconcile the almost limitless desires of its members for more of everything with the scarce resources available for satisfying them. This scarcity definition of economics is then followed by three questions: the “What?”, “How?” and “For Whom?” questions, the third of which asks for whom are goods and services produced (e.g., Begg, Fischer and Dornbusch, 1994, p. 2; Lipsey and Chrystal, 1995, p. 6). For many students new to the subject, this last question may suggest that economists are not interested just in how consumers use their incomes, but also in explaining prevailing