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A NOTE ON DOWNWARD INFLEXIBILITY OF PRICES AND THE ORIGIN OF THE TERM «OLIGOPOLY» IN THOMAS MORE'S *UTOPIA**

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This research note aims to present the context in which the term oligopoly has been coined and show the intimate relationship between the origin of the word and downward rigidity of prices, a fundamental phenomenon for economic theory.

1. Introduction

It is widely known that the word oligopoly is formed by the union of two Greek words: *oligos* ('few') and *polein* ('to sell'). However, less popular is the fact that the first time the term is used in a Latin book is in St. Thomas More's famous piece, *Utopia*.[1]

The aim of this note is to analyze the first time the hypothesis of downward inflexibility of prices is noticed. This is a central concept for the theory of structural inflation: if prices are downward inflexible, every change in relative prices is translated into an increase of the general price level.

Furthermore, this article will attempt to show that the birth of the term oligopoly is linked to the notion of downward inflexibility of prices. Indeed, the first description of downward rigidity came about as a consequence of the notion of oligopoly.

In the English translations of *Utopia*, this relationship appears to be «hidden» due to certain inaccuracies such as the omission of a key word

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[1] The original Latin title is *De optimo reipublicae statu deque nova insula Utopia, libellus vere aureus, nec minus salutaris quam festivus, clarissimi disertissimique viri Thomae Mori inclitae civitatis Londinensis civis & Vicecomitis*. The translation is: «On the best form of a Commonwealth and on the New Island of *Utopia*: a Truly Precious Book No Less Profitable than Delightful by the most Distinguished and Learned Gentleman Thomas More, Citizen and Undersheriff of the Illustrious City of London». See the details of the translations in the references at the end.

or hedging a price fall that according to the text would not happen at all.

In addition, we illustrate the price system's dynamism just as More understands it, as well as the endogenous nature of rigidities in non-competitive markets.

This paper's methodology is based on documental research, supporting our main arguments with quotes from the third Latin edition of *Utopia* – published by Erasmus de Rotterdam in 1518[1] – and the first English (1551 and 1684) and French (1550) translations.[2] A comparison among the texts will be made in order to demonstrate our main hypotheses.

We employ the third edition in Latin because it was the last one supervised by the author. We also use first and contemporary translations in several languages translated from the original version.

In the second section, a brief comment is made on More's relevance as an economist and the historical context of his work. In the third and fourth sections, we analyze different translations of *Utopia* and their inaccuracies. The fifth section explores the economic context of concentration and high prices where the asymmetry in price dynamics is noticed. The sixth section is devoted to final remarks.

2. Historical context

Economic research in the 16th century is frequently linked to the author's ethical conception.[3] More is not an exception to this rule, but his humanist ideals put his work closer to the Renaissance.[4] Although More's work has been ignored by some historians of economic thought, many of them point out his importance.[5]

For example, Kautsky (1888) highlights the way in which the former Chancellor of England describes the economic conditions in 16th century England, and claims that More made the first to represent an alternative production system beyond capitalism.

[1] The first edition of 1516, published in London, and the second edition of 1517, published in Paris, were corrected by the author himself. We use the 1518 edition because it had the final approval from More and does not differ from the first two in the analyzed passages.

[2] The earliest translation in Italian (1548 by Ortensio Lando) and German (1524 by Claudius von Metz) included only the second book. See Cave 2009.

[3] This was an Aristotelian tradition. In his definition of chrematistics, Aristotle considers monopolistic practice and usury as immoral. In Medieval Age, Nicole Oresme and Thomas Aquinas also condemn monopolies. See Langholm 2006.

[4] On the life of More, see Ackroyd 1998.

[5] Very few histories of economic thought have anything to say about *Utopia*. Classic textbooks used by generations of students, including Roll 1939 and Robbins 1998 among them, do not have any entry for More or his *Utopia*. The main exception to this majority is Schumpeter 1954.

More's merits as an economist are also acknowledged by Isaac Rubin. In his *History of Economic Thought*, he quotes an excerpt of *Utopia* that explains the process by which landowners are led to turn their production into shepherding: «Sheep swallow down the very man themselves» (Rubin 1929, 23). Furthermore, Schumpeter (1954) points out many of More's accomplishments as an economist. In the first place, *Utopia* characterizes a general production and distribution plan and includes a theory of money demand where currency is only used to tackle trade deficit. Secondly, this work connects certain economic contingencies (*e.g.*, unemployment) with market imperfections.

More is usually linked to the socialist school due to his statement against private property and the accumulation of money, among other issues. However, his contributions are respected by experts from a wide ideological background.[1] He criticizes certain social and economic phenomena questioned by many different lines of thoughts, such as corruption, ostentation, abuse of power and inflation. It is precisely during his analysis of an inflationary process that More describes downward rigidity of prices and mentions for the very first time a key word in the history of the economic theory: oligopoly.

3. First inaccuracy in the translation of *Utopia*: 'strong' hypothesis *vis-à-vis* 'weak' hypothesis of inflexibility

In this section, we are going to deal with More's concept of inflation and its relationship with price rigidity, which remained «hidden» during many years due to an inaccurate translation. To this end, it will be necessary to make a distinction between what we will refer to as «strong» hypothesis of inflexibility (when prices are absolutely downward rigid) and «weak» hypothesis (when prices move more easily upwards than downwards).

Let us now enter in the core of our research. Given its importance, it is convenient to quote the complete paragraph where the term oligopoly appears in its original language:

> Nam post aucta pascua infinitam ouium uim absumpsit tabes, uelut eorum cupiditatem ulciscente deo immissa in oues lue, quam in ipsorum capita contortam esse fuerat iustius. Quod si maxime increscat ouium numerus, precio *nihil* decrescit tamen. quod earum, si monopolium appellari non potest quod non unus uendit, certe *oligopolium* est. Reciderunt enim fere in manus paucorum, eorundemque diuitum, quos nulla necessitas urget ante uendendi quam libet, nec ante libet quam liceat quanti libet.[2]

[1] Watson 1994 argues that *Utopia* opens an unconcluded debate. The bases of the ideal society, nonexistence of money and private property, were evoked later by *Utopia*n socialists and Marx. The project's limits that More points out, arrogance and human selfishness, are still topics of philosophical debate.

[2] More 1518, 41; the italics are ours.

This paragraph appears in the first part of the book. It is one of belongs to the arguments of Raphael, the hero of *Utopia*, who is against applying death penalty for robbery cases. He tries to explain the reasons behind the expansion of crime as well as its relation to poverty.

We need to go back to the original version of *Utopia* in Latin because there are certain inaccuracies in the different translations that do not allow readers to clearly differentiate between the «weak» and «strong» hypotheses of price inflexibility, and that omit a key term – oligopoly.[1]

A linguistic analysis of *Utopia* is beyond the limits of this work, but for our purpose it would be appropriate to draw certain distinctions between the original version and its translations.[2] Below are the English and French translations of the quoted text.

The English version is the following:

> For since the increase of pasture, God has punished the avarice of the owners by a rot among the sheep, which has destroyed vast numbers of them; to us it might have seemed more just had it fell on the owners themselves. But suppose the sheep should increase ever so much, their price is not like to fall; since though they cannot be called a monopoly, because they are not engrossed by one person, yet they are in so few hands, and these are so rich, that as they are not pressed to sell them sooner than they have a mind to it, so they never do it till they have raised the price as high as possible.[3]

The oldest French translation is the following:

> Or si le noble des ouailles es croit cène moins ne diminué de prix bien est il vrai que un homme seul au vend les dictes ouilles par quo la vendition ne se nomme monopole, *mais oligopole*, que est adire en grec vendition de peu degré & ceux mêmes font riches, le quel no nécessite de vendre si no quand il leur plait & ne leur plait devant vendre leur marchandise, ors autant qu'il leur plait, cette même raison.[4]

Ralph Robinson's translation omits the words monopoly and oligopoly, and the consensus is that translator's work was very poor. The English translation by Burnet 1684 was the most commonly used in the late 17th and early 18th centuries.

[1] There is a wide discussion around *Utopia*'s translations. The first English translation was made by Robinson 1551, and it was very criticized by experts as well as Gilbert Burnet's translation of 1684. Of course, there exist more recent and accurate translations of the book, such as Paul Turner work of 1965.

[2] For a linguistic analysis of *Utopia*, see Binder 1947 and Surtz 1967.

[3] The paragraph appears in Gilbert Burnet's translation published by George Routledge & Sons in London and by Dover Publications in New York. Robinson's translation did not include either the word monopoly or oligopoly. See references below.

[4] *La Description de l'isle d'Utopie ou est comprins le miroer des republicques du monde, & l'exemplaire de vie heureuse: redigé par escript en stille Treselegante de grand' haultesse & maiesté par illustre bon & scavant personnage Thomas Morus citoyen de Londre & chancelier d'Angleterre Auec l'Espistre liminaire composée par Monsieur Bude maistre des requestes du feu Roy Francoys premier de ce nom*, transl. by J. Le Blond, Paris, Charles l'Angelier, 1550.

If we compare these translations to the original text, some slight but important differences can be noticed. For example, in the English version, price inflexibility is reduced to a high-probability event as it can be seen in the statement «their price is not like to fall».[1] In contrast, the original Latin version contains the word «nihil» that means «nothing» or not at all, which is omitted in this translation.

In More's terms, which date back to the beginning of the 16th century, the «strong» hypothesis of price inflexibility is implicit because the author assures that under certain circumstances prices will by no means descend. In spite of an impulse that could generate a price reduction in a particular market or in the general price level, the characteristics of the system would not allow prices to fall, not even partially. This is what we call the «strong» hypothesis of inflexibility, which is precisely the type of rigidity considered in *Utopia*.

But this is not the only type of rigidity that exists. The other type is what we denominate «weak» inflexibility, which establishes that prices are not absolutely downward rigid, but they can move more easily upwards than downwards. This is not a minor difference. Structural inflation analysis is based on the idea that the rigidity of prices is smaller when prices go in an upward direction than when the opposite happens.

Therefore, the distinction between strong and weak is crucial for the analysis of inflation: the asymmetry in the weak hypothesis could cause structural inflation due to changes in supply or demand that, in turn, affect relative prices.[2]

From this perspective we can see that More was categorical in his description of price rigidity: for the author of *Utopia*, no matter how much sheep supplies increase, their price will not descend at all.

It is clear that he wrote only about inflation in one market and not about the general price level, but in the 16th century, food and wool markets represented by far the main economics activities. The relationship between inflation and crime made by More shows that he had a broad view closer to a general equilibrium approach.

To support his arguments, More used the strong hypothesis of price inflexibility, according to which rigidity was not a tendency, a high probability event or a relative asymmetry, but a fact that encloses a total im-

[1] In other editions, «not likely to fall».

[2] Following Olivera 1960, a structural change could be a modification in consumer preferences or in the production function for technological reasons. Interestingly, asymmetric rigidity is only partially considered by monetarists, either in works related to demand inflation or cost (supply) inflation. On the other hand, downward inflexibility is essential for structuralism. If prices are inflexible downwards, every change in relative prices generates an increase in the general price level (Idem 1986, 567).

possibility of a price fall. This cannot be appreciated in an inexact translation of the book.

As we will see in the next section, the term oligopoly was coined in connection with the idea of strong rigidity. While the English translation conceals this relationship, the French one does not (*ne diminué de prix*). In fact, although the latter is not literal in its translation of the Latin word «nihil», it respects the «strong» hypothesis of inflexibility.

4. Second inaccuracy in the translation: the omission of the term «oligopoly»

In More's times, as well as today, the structure of the economic system is far from the ideal of perfect competition. These imperfections are described in the passage that follows the definition of downward rigidity. But at this stage it is also necessary to go back to the original Latin text, since the English translation is again inaccurate. Describing the market power of producers, More states: «quod earum, if monopolium apellari non potest quod unus uendit, certe oligopolium est». Noticeably, the English translation omits the word «oligopolium», in spite of maintaining its meaning, as shown in the quote transcribed above.

We talk about inaccuracy. It could be a mistake to simply project today's meaning of the term oligopoly onto More's oligopolium, in view of the fact that it would take several hundred years for the term to become part of the English language. But it is also true that the similarity between More's oigopolium and today's oligopoly is remarkable in and of itself.

«Oligopolium» is a Latin neologism created by Thomas More. Since the term oligopolium was not to be found in Latin dictionaries, translators could have drawn attention to that fact, regardless of whether they gave the translation as «few sellers» or «oligopoly». English translators decided otherwise or did not consider that option. But we just saw that the contemporary French translator decided the opposite.

The economic context where the concept of price inflexibility appears for the first time is thoroughly described in the French version. The original «oligopolium», a noun, remains as an individual and an independent category, «oligopole, que est adire en grec vendition de peu».

Again, this contrast is far from being trivial. It is the first time the word oligopoly is used to describe a market structure with few suppliers, a concept which is part of the basic categories in economic science today but rarely credited to More.

However, there are a number of authors who take More's contribution into account. Chamberlin (1957) recognizes that there is a problem in the English translations to identify the origin of the word oligopoly.

The author also points out that this omission can be found in older Italian and German versions because, as if it were a contagious virus, it spreads from one translation to another. Even more recent French translation from Latin, such as Victor Stouvenel's 1842 translation, omits the word oligopoly (*oligopole*). The mistake could be found when oligopoly was a well know category of economics.

A few years before Chamberlin, Schumpeter (1954) notices that the term oligopoly was poorly translated in the English version of *Utopia* and repeatedly refers to More's book. He also grants him the claim to having «introduced the word and concept of oligopoly in exactly the same sense in which we use it now».[1]

Nevertheless, a distinction between word and concept should be made. Latham (1965) dated in 1516 the word *oligopolium* in his Latin word-list. This is the same year of *Utopia*'s first edition.[2] But oligopoly as a concept is a different matter and it is necessary to go back at least to Roman law for its origin: within the Justinian Code, an ancient decree of Emperor Zeno punishes the agreements to fix prices.[3]

Medieval authors condemned private monopolies established for personal gain, «as well as collusion among sellers for that purpose».[4] The alphabetical Summa de Casibus Conscientiea of the Italian Franciscan Angelo Carletti (also known as Summa Angelica) condemns price fixing among merchants in the article Emptio et Venditio (buying and selling).[5] The first edition of the Summa Angelica dated from 1487 and by 1516 forty-nine editions of the book had emerged from the printing presses. Subsequently, it is possible that More was familiar with the book at the time of writing *Utopia* and named as *oligopolium* a known and reproachable concept that refers to a specific economic practice.

In any case, More creates the word but the concept was already present at his time, which contradicts, in part, Schumpeter's statement. However, this is different to saying that Schumpeter and Chamberlin were completely wrong. This is the case of Senn (2003, 314), who de-

[1] Schumpeter 1954, 208.

[2] However, there are hundreds of massive medieval legal tomes still not exhaustively explored and it is not impossible that future research could find an earlier reference.

[3] Its title is «*De monopoliis et de conventu negotiatorum illicito vel artificum ergolaborumque nec non balneatorum prohibitis illicitisque pactionibus*», translated as «Concerning monopolies, and concerning unlawful assembly of merchants and concerning prohibited and illegal agreements of artificers, contractors and bath-keepers». The decree establishes the following: «If anyone shall dare to carry on any monopoly, his goods shall be confiscated and he shall be sent into perpetual exile. If the chiefs, moreover, of the various trades hereafter dare to make agreements as to fixing prices of things, or if they enter into contracts, we decree that they shall be punished» (C.4.59.2).

[4] Langholm 2006, 395.

[5] See *ibidem*, 399. The author calls attention to Carletti's *Summa*: art. Ars: f. 17rb; art. Emptio et venditio: ff. 103vb-104ra. In the article Ars, Carletti argues against price fixing among craftsmen.

clares that «despite the fact that I have carefully studied More's work, I have not been able to find any mention of the term oligopoly in it», criticizes Schumpeter's book and inquires if «Is it possible that this is one of the mistakes in this magisterial work?».

We believe that these brief linguistic discrepancies, only partially analyzed in the second half of the 20th century, enhance More's relevance as an economist and his contribution to language. In some contemporary translations, the inaccuracy has been rectified thanks to the help of modern economy spreading the term.[1] As mentioned before, Paul Turner's translation from 1965 includes the noun oligopoly.[2]

Up to now, reference has been made to More's role in the creation of the term oligopoly, but it is equally necessary to give credit to him for the dynamic analysis of the price system implicit in *Utopia*. He is the first who explains the asymmetry in price movements and its origin: the oligopolized economic structure contains the germ of the inflationary process and generates an asymmetric response in prices to supply shocks, depending on whether they are positive or negative.

5. Economic concentration and inflation

As we have seen, More emphasizes the relationship between economic concentration and downward inflexibility of prices. The market power of sellers is based on the fact that they can wait for the best moment to carry out the transaction. In other words, they are not in a hurry to sell goods facing an inelastic demand. Producers choose a price and they can sell any quantity they want at that price.

As regards the characteristics of oligopoly, More does not notice competition among producers. He describes an unbalanced system where suppliers recognize an excess of demand and they increase production to close the gap. This situation is different from imperfect competition in which producers can choose, as a strategy, either prices or quantities. Based on this excess of demand, they try to increase their production as much as possible, charging the highest price for it and expelling free peasants.[3]

It is clear that in this process the equilibrium will be at the monopoly price. Market fragmentation and the distance between demand and supply create a similar environment to the one generated by a collusion

[1] Chamberlin 1957, 213 explains that the word is absent in Ralph Robinson's translation and also in Gilbert Burnet's.

[2] See Penguin Books' version of *Utopia*, London, [1965], 26. Nevertheless, Senn 2003 recognized that other modern versions of the book are still not faithful.

[3] More's oligopoly does not have the characteristics of the first formal studies of this market structure. They were developed in the 19th century by Cournot 1981 [1838] and Bertrand 1883, among other authors.

among sellers where individual producers behave as monopolists in their own territories. At the same time, the producer's social status (nobles and clerics) represents an entry barrier for new competitors.

The dominant class will meet its challenge to increase production and benefits by increasing their market share adding new lands for shepherding. As a consequence of this, peasants will be expelled from their manors, a decision criticized by More in *Utopia* (the whole process was called «enclosure» – a forced division of collective land for individual administration of production).[1]

The author alerts about the consequences of a non-diversified production and the risk of following the market mood. Landlords devote all their efforts to only one activity. But the context will not always help: shepherding will suffer from the non-stopping transfer of armies that destroy fields and parcels as they travel from one place to another. Decreasing numbers of parcels directly impact on food prices.

Against this backdrop, an increase in food prices generates more poverty and unemployment: fewer workers are needed for shepherding than peasants for cropping.

The genesis of inflation is in the producers' market power, in the accumulation of stocks (food) and in productive efforts concentrated in activities that are more profitable in the short term without any planning.[2]

In *Utopia*, a disease kills thousands of sheep and the price of wool starts to increase.[3] At this point, the author introduces the hypothesis of downward inflexibility of prices and remarks that even if the number of sheep rises again, their price will not diminish at all. The market power of producers allows them to maintain high prices until the time to sell becomes more convenient.

The fact that producers are not in a hurry to sell gives them a huge advantage over needy consumers. This advantage is even greater when the supply of primary goods, like food or clothes, is restricted. Not taking into account the difference between the time of production and consumption can lead to mistaken conclusions. This will be the case if we consider both operations to be simultaneous. The timing gap is crucial to sustain oligopoly and prices being fixed by sellers.

From the text written in the 16th century, we may conclude that economic agents are not in the same position and that the initial endow-

[1] Bairoch 1980 explains that during the 16th century the agricultural production system had not advanced from that of Roman times. Such primitive conditions remained so until the 17th century, when the first significant agrarian productivity increases appeared in England.

[2] In the second part of the book, More will be in favor of a planned economy that could diversify production.

[3] The Latin word *tabes* is translated as *rot*.

ment is relevant to determine equilibrium. These issues were developed centuries later by modern economists under a more rigorous analysis.[1]

In the last quarter of the 20th century, the so-called new Keynesian School based their business cycle models on the existence of nominal rigidities. The root of this assumption is the work of John M. Keynes, who criticizes the classical economist for not taking price inflexibility into account. The Keynesian argument starts by calling attention to the rigidity of nominal prices and the empirical fact that workers accept to reduce their real wages but never nominal wages: unions will be against any reduction of nominal wages even if it does not implicate a real reduction.

The Keynesian theory arises by changing some Classical School's assumptions, and the perfect mobility of nominal wages is one of them. It is because of this reason among other that downward inflexibility of a particular price, *i.e.*, wage, has a key role in the history of economic thought. It is in view of these later developments in modern economics that More's concept of downward price rigidity, its nature and consequences, should be considered in its proper significance.

6. Final remarks

The early perception of downward inflexibility of prices as a consequence of oligopoly, its characteristics and dynamic aspects have been noticed by More. This perception is linked to a certain economic and social context observed with critical eyes in *Utopia*.

More was a critic of the despotism of the dominant classes, royalty, noblemen and clergymen. It's due to their greed that the peasants are expelled from their lands and food production decreases at the time prices rise.

More's thoughts take place in a context of undeveloped capitalism, poorly sophisticated markets and production techniques. Although the author does not claim the opposite, he refers to one market only (sheep production) and there are no suggestions that the phenomenon could be generalized to the economy as a whole.

However, even before Economics is conceived as a science, More provides a characterization of oligopoly and links it to downward rigidity of prices.

[1] Modern Microeconomics refers to this temporary distinction as «discount rate» or «impatience rate», which is used to explain consumer's intertemporal utility functions (see Mas-Colell 1995). However, the impatience rate depends on individual preferences more than on concrete material necessities. At the bottom underlies the debate about the real degrees of freedom that consumers-workers have.

For him, inflexibility has an endogenous origin and it is a consequence of the system itself: it is owing to a concentrated production that prices will not decrease. This statement is different from the modern notions of exogenous rigidities, like staggered contracts and fixed salaries that can lead to partial interpretations of reality.

Utopia begins a rich tradition in economic analysis and still possesses an extraordinary value nowadays.[1] The origin of the word *oligopoly*, the context in which it is created and its relation with price inflexibility reflects the early understanding of the role of public policy in restricting market concentration to fight against inflation, especially when it has a structural cause. In the second part of his *Utopia,* More shows that he is in favor of a planned economy where the government plays a key role in organizing a diversified production. This will be the way to avoid market power excesses (resulting from enclosure) which ultimately lead to increasing poverty and crime.

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[1] For the modern meaning of *utopia*, see Gómez 1995 and González 2003.

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