The excess number of firms operating in the diminishing part of the average costs curve, and hence the chance to exploit further economies of scale, provides Barone with an argument in favour of the extension of firms' size. On this he examines the combinations, and vertical and horizontal integration. Combinations, based only on agreements, Barone judges intrinsically unstable and subject to "a latent state of war even during a peace" (212). The reasons for the other forms of collusion he traces to the search by firms for efficient size (216). In addition, he carries out an analysis of the determination of the price in the case of large firms, reiterating that their situation is quite different from that of the monopolist[7].

In present-day terms, one could re-define the case Barone examined as relating to a *dominant firm*. He brings out the fact that such a firm may be subject both to international competition and to competition from other smaller firms that produce the same good, as well as in part to potential competition[8]. In his opinion the price fixed by the dominant firm will be below that of both domestic and foreign competition, and below what could "re-awake the potential competition" (234)[9].

Conclusions

I have said that the historical reconstruction of the sources of market power has been neglected. Actually, as far as I know, the whole history of the theory of the sources of market power has not yet been written[10]. This is the reason why in this paper it was not a case of verifying or dismantling a historical reconstruction of the sources of market power, but to begin to write the history itself of the ideas about those sources. And this is why I thought it was useful to investigate the marginalist period, believing it to be an important phase in which new causes of market power are identified, as well as new instruments to examine it with.

Pareto and Barone believed in the efficacy of the market, and they also believed that market structures adjust very quickly to the most efficient configuration[11]. This vision also finds confirmation when Pareto and Barone considered some of the causes of market power that the classicists had not. In fact, whereas for classical economic thought the only sources of market power considered were natural (resulting from the presence of scarce factors, like natural resources, location, talent), and legal (like patents, property rights, State privileges, State licenses), the marginalists develop the idea that there are also entry barriers of a technological kind (in particular scale economies and network economies), or strategic.

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[7] We should remember that in that period only those in possession of a government licence (legal monopoly), or a unique resource (natural monopoly), were considered to be monopolists.
[8] "As for the potential competition, to tell the truth it is lazy and active intermittently. The struggle to rush into the fray against a vast trust, requires very great capital and is full of risks" (234).
[9] The analysis of the determination of the price in this market regime, as also the welfare consideration, are treated by Barone in much greater depth that in our summary.
[10] For a recent history of the concept of barriers to entry see McAfee, Mialon, Williams (2004).
[11] On the "coincidence between viewing competition as rivalry and opposing anti-trust law" see Di Lorenzo and High (1988).

Barone, for example, should be cited in the historical surveys of natural monopoly, understood in its contemporary sense[12]. We have seen in fact that he puts forward Cournot's conclusion again, according to which "nothing limits the production of a commodity under conditions of pure competition if a firm's marginal cost is falling" (Marchionatti 2003: 50). This conclusion, as is well known, had been criticized by Marshall, who tried in various ways to reconcile increasing returns with competitive equilibrium (Groenewegen 1999, Hart 2004). In his *History of Economic Analysis*, Schumpeter expresses astonishment for the fact that after Marshall, discussion on this subject "took so long to burst into print" (Schumpeter 1954, ed. 1976: 1046). He asks himself how it was possible that "results were established in and after 1930 that might easily have been established by 1890" (Schumpeter 1954 ed. 1976: 1048). As we have seen, Barone's work, which had very clearly identified the terms of the problem of natural monopoly, fits comfortably within that period. We should note furthermore that Barone considers also this type of monopoly to be continuously threatened by potential competition, despite the presence of high fixed costs, a position later taken by Stigler (1968).

We have noted earlier that Pareto, and even more precisely Barone, had clearly discovered the fact that the number of firms present in the market might not be a good indicator of the monopoly power in the industry concerned. In the presence of scale economies, indeed, they believed that a low degree of concentration was a sign of inefficiency and low-level competition, not vice-versa.

Moreover, Barone and Pareto should also be remembered for their development both of U-shaped average cost curves, and of the idea of minimum efficient scale. In the history of the theory of non-competitive markets, these are important concepts, especially for the structure-conduct-performance approach[13], since they permit the identification of different industrial configurations. We have seen that Pareto in 1906 mentions the idea of the minimum efficient scale, whereas Barone in 1908 explicitly describes a U-shaped graph, where the average total cost is on the y-axis[14]. This fact is in contrast with Scherer's statement that up until Fisher's textbook (Fisher 1912): "in the important theoretical developments emerging toward the end of the 19th century, marginal cost functions continued to be emphasized, and average costs neglected, by neo-classicists" (Scherer 2001: 900). Having illustrated the contributions of Pareto and Barone on these subjects, we believe that the historical reconstructions should be modified, and that these economists should be recognized as important here too.

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[12] Referred to firms with large-scale economies, so that market demand can be satisfied at lowest cost by one firm rather than two or more (Sharkey 1982).

[13] On the various approaches to the industrial economics see *inter alia* Martin (1994: ch.I).

[14] See the quotation in note 6.