

Free Competition Is Voluntary Cooperation

When conditions warrant, we occasionally reprint essays of enduring significance that have appeared previously in *Economic Education Bulletins* or other AIER publications. The following piece was written by Col. E. C. Harwood, the founder of AIER, in 1956.* However, its contents seem especially timely today.

Regrettably, the public has not yet fully realized—or come even close to realizing—the main points contained in Col. Harwood’s argument. Without question, greater public attention has focused on the advantages of free competition during the past 20 years than during most of the preceding four decades. But a great deal of nonsense still is being written about the “dangers” allegedly posed by free economic competition. Central planners persist in their attempts to create “manageable economies” nationally and internationally via *involuntary* cooperation. In this respect, the hopes implied by Col. Harwood in the final paragraph of the original text have been disappointed.

In our view, the “fresh start” contemplated at the end of the essay may be encouraged today by wider circulation of easily read works that contribute to an understanding of fundamental economic behaviors. This essay hopefully serves that purpose. With the exception, of the subheadings, the endnote, and very minor changes in wording, the essay appears as originally published.

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From the viewpoint of anyone who is considering all the economic activities of a social group, “free competition” is another name for voluntary cooperation. This may seem a surprising statement, especially in modern times when many advocates of cooperative enterprise are criticizing competition and the profit motive. That cooperation is the opposite of competition seems to be generally assumed. However, careful analyses of the economic activities for which these words are names

reveal that “free competition” and “voluntary cooperation” are two different names for the same economic behavior.

Sometimes the specific use of a word becomes plainer when placed in contrast with that which is not referred to. This step in the analysis is especially important for the word “competition” because it is so often associated with war. Phrases such as the “wasteful warfare of competitive enterprise” or the “commercial war” are common figures of speech. In order to avoid this seriously misleading association of ideas, the vital differences between free competition and war must be considered carefully.

Competition vs. War

Reference to any standard dictionary and brief consideration of the customary uses of these words facilitate explaining the association of competition and war. *Webster’s International Dictionary* (Second Edition) includes in its definition of competition the following phrases: “the act of seeking what another is endeavoring to gain at the same time; common strife for the same object; strife for superiority; rivalry for a prize.” The word “competition” is common in describing sporting events of one kind or another. In this connection, common usage speaks of the winner, perhaps identifying him as the recipient of a prize; and his rivals in the contest are said to have been defeated. The words, win and lose, victory and defeat, also are associated with war. Armies march on to victory or defeat; and to the winner go the spoils of war, a circumstance that tends to make war even more closely associated with competition for prizes.

That most human beings have formed the habit of associating ideas long has been noted. Only those individuals who develop the additional habit of discrimination necessary for scientific analysis can successfully avoid the fallacies that may be introduced when conclusions are drawn from a careless association of ideas.

* See E. C. Harwood, *Useful Economics* (1970), pp. 125-129.

Therefore, one can readily understand how the close association of such striking ideas as winning, losing, victory, and defeat should have encouraged the generally accepted notion that competition is analogous to war.

When a specific definition of war is used, the difference between it and competition becomes more clear. Webster's first definition of war is "the state or fact of exerting violence or force against another." In this connection, of course, "violence" is used in its most extreme sense. Every war that has been fought has proved again that there cannot be any Marquis of Queensberry rules for war.

Therefore, war is essentially different from free competition. In games, and even in the prize ring, unrestricted violence against the opponent is never permitted; whereas in war it is the accepted mode of conduct. As everyone knows who has trained soldiers for the battlefield, much of the training period is devoted to overcoming acquired habits of fair play, to teaching that a blow below the belt is not only permitted, but is essential to victory. What could possibly be farther removed from free competition?

The distinction between warfare and free competition becomes even more sharply defined when the dictionary's use of "competition" in connection with economic problems is considered. The definition is: "the effort of two or more parties, acting independently, to secure the custom of a third party by the offer of the most favorable terms." Restating the definition for war emphasizes the contrast: "state or fact of using violence against another." These more precise applications of terms reveal that writers who associate free competition with war seriously mislead their readers as well as themselves.

We know, then, that competition is not analogous to war, but that of course does not prove the opening assertion, "From the viewpoint of anyone who is considering all the economic activities of a social group, 'free competition' is another name for voluntary cooperation." Inasmuch as the behavior named "competition" has now been somewhat clarified, the next step is to analyze the actions described by the word "cooperation." Also to be made clear is the significance of "voluntary" as contrasted with "involuntary" cooperation.

Voluntary vs. Involuntary Competition

The word "cooperate" is simply defined as "to act or operate jointly with another or others." Usually a common objective is implied, such for example as their mutual benefit. Therefore, although two or more parties are involved in a war, the fact that all concerned are using violence against others does not make them joint operators in the sense in which those words are used in

describing cooperation. Evidently, therefore, cooperation and competition have at least something in common, inasmuch as each excludes the idea of war.

We now consider what behavior is referred to by "voluntary" as contrasted with "involuntary" cooperation. Again the selection of certain notions that should be excluded will be helpful.

Except for a Robinson Crusoe cast upon a desert isle, or an occasional hermit who has wholly withdrawn from contact with his fellow men, all human beings must cooperate with their fellows to a certain minimum degree. The unalterable circumstances of man's existence force cooperation. In fact, the species would soon cease to exist if this minimum of cooperation, including cooperation between the sexes, were discontinued. For all practical purposes, therefore, every living individual must cooperate with others to some extent.

For the purposes of this discussion, analyzing what the minimum degree of cooperation must be at any particular time or place is not essential. We need only remember that the unalterable circumstances of man's existence force upon him some degree of cooperation. To cooperation required for the preservation of the race (such as the cooperation of a mother nursing her child) we apply the name "inevitable cooperation."

After the boundary of cooperation forced by unalterable circumstances is passed, customs, institutions, and laws established by men may force cooperation on the part of individuals. Such involuntary cooperation may be so extensive that virtually all the economic activities of men are prescribed by the state or other agency that forces the maximum degree of involuntary cooperation.

What Is Free Competition?

In an earlier section of this discussion, the phrase "free competition" was used repeatedly, but only competition was described. Inasmuch as the ideas suggested by the qualifying word "free" are essential to a clear understanding of the subject, description of what is meant by "free competition" is necessary.

Many writers who use this phrase "free competition" fail to realize that competition implies action in accordance with certain rules of procedure. Free competition, therefore, does not carry any implication of a "free for all" fight, with gouging, biting, kicking, and scratching all permitted.

Evidently, the rules and regulations governing or affecting competition may tend to create a fair field with no favor; or they may, on the other hand, through the award of special privileges of one kind or another, give advantages to some that are denied to their fellows. The phrase "free competition" implies the former condition. "Free competition," therefore, implies that each

individual concerned must of course comply with the rules, but that the rules, including all the customs, institutions, and laws of the social group, are such as to ensure a fair field with no favor. Furthermore, there is no implication that free competition has ever actually existed or does now exist in any locality. It may have existed in the past, may exist somewhere at present, and conceivably may exist in the future at some time or place, but the fact that it does not now exist in the United States, for example, does not lessen the usefulness of the notion for the purpose of this discussion.

Referring again to the economic behavior called "competition," we repeat the definition: "the effort of two or more parties, acting independently, to secure the custom of a third party by the offer of the most favorable terms." In other words, economic competition is the effort of two or more people to produce and offer a commodity or service for a third party on the most advantageous exchange basis from his point of view. In short, where there is free competition the competitors are striving to perform those economic functions that are most desirable from the viewpoint of the consumer, and of course nearly all of the consumers are likewise competitive producers. (In this connection, specialization or the division of labor not only increases the effectiveness of human effort but also raises to a higher level the minimum degree of cooperation required in an economic society.)

If now we enlarge our viewpoint, so that instead of considering only a few individuals, we regard the social group in its entirety, free competition is seen to be that situation in which men are voluntarily cooperating. All of the group, by purchasing what they prefer, encourage those best qualified to provide the desired economic things including services. Each of the group who is offering things in the markets voluntarily seeks to cooperate by performing in that economic role where he can most effectively serve his fellows and thereby maximize his own reward in the marketplace. In practical effect, under perfectly free competition, producers cooperate with consumers by endeavoring to provide the best of whatever is desired at the least cost. Thus "competition" and "cooperation" become, under such conditions, merely different labels for the same highly efficient economic behavior.

Also important in this connection is the fact that the economic behavior we label "free competition" or "voluntary cooperation" results in the greatest possible total of benefits for all who participate. Unlike the competition in games where some lose what the victors win, and unlike war where even the winner may lose more than he gains, freely competitive economic behavior enables each participant to gain the greatest possible reward by voluntarily cooperating in a procedure

whereby all concerned benefit.

One need only look about the world and observe conditions as they are to see the facts brought out in this discussion. In the early days of this country, when free land was available for the taking, the Nation was closer to a condition of perfectly free competition or voluntary cooperation than it is today. Perhaps the world's nearest approach to free competition or voluntary cooperation still is found in this country, in spite of the increasing interference with free competition that has resulted from the growth of special privilege and government intervention. In Russia, on the other hand, there is today [1956-Ed.] nearly the opposite extreme. There is what was originally intended to be a fully cooperative society, but free competition has been nearly eliminated, and we find in its place involuntary cooperation, forced labor, in fact widespread slavery. Both careful reasoning and the obvious facts point to the same conclusion, that "free competition" is another name for voluntary cooperation, and that the elimination of free competition leads to a condition of involuntary cooperation, that is, slavery.

In this brief discussion we have not attempted to ascertain whether or not free competition is desirable. That, no doubt, depends on the results to be achieved, the personal desires of those who are involved, and many other factors. Once the public fully realizes that free competition is voluntary cooperation, much nonsense that has been written on the subject can be discarded; and a fresh start can be made in the consideration of pressing problems, with the confident expectation of more useful results.

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Endnote: The Significance of Freedom

In a related essay, Colonel Harwood observed the following with respect to individual freedom and slavery:

"Freedom for the individual is an acknowledged primary aim of our form of government. This government was based on the assumption that such freedom makes an individual responsible for his actions (because authority to act implies responsibility for the consequences of the act); that such responsibility fosters cultivation of judgment, ability, and character in men; and, finally, that the best society and the one most fitted to endure in the long run is one composed of the most highly developed individuals rather than one composed of the slaves of an all-powerful state.

"That enslavement of the individual must inevitably make him irresponsible and thereby retard growth of judgment, ability, and character is sometimes forgotten.

“Inasmuch as slavery in any degree is the negation of freedom, an essential aspect of freedom is that every man should receive the fruits of his efforts either in kind or in corresponding value. Possibly some persons will assume that the freedom to make employment contracts, which citizens of the United States have to a marked degree, automatically prevents any interference with freedom to retain the fruits of one’s efforts. If a man thinks his efforts are worth more than he gets for them, he is at liberty to quit his job and seek other work for which he may be adequately compensated. Of course, freedom to seek does not guarantee finding, but most people probably believe that, as a practical matter, a man can find a full reward for his services if he will seek diligently enough, except perhaps in occasional periods of business depression.

“The question therefore becomes, Is this general assumption true or are many members of our society actually deprived of a portion of the fruits of their efforts and to that extent enslaved? We can more readily gain enlightenment by considering the reverse side of the picture. Nothing more than ability to add and subtract

is needed to prove that, when some men are robbed of the fruits of their efforts, the appropriators get something for nothing; at least they get something without giving in exchange its full equivalent value. Consequently, if there are men in a society who are able to get something for nothing, other men must be getting nothing for something. We must therefore ask, are there people in the United States who are able to get something for nothing?

Slavery, in effect and to a degree, still exists in the United States. That it stunts the growth, especially the intellectual development and sense of responsibility, of a major portion of the population is all too probable. That it is therefore the principal danger to our form of society, to Western Civilization in fact, is not beyond the bounds of possibility. But the question is, What is the remedy; how can...privileges...be ended without completely disrupting the social scheme? This may be the all-important question to which we must find an answer or perish as have other civilizations before ours.” [See “The Significance of Freedom,” in *Useful Economics* (1970), pp. 130-137.]

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