

# Competition or Cooperation?

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## I

A man can at times be selfish, and at other times selfless. In him, it is possible to have both competitive and cooperative instincts working which ultimately are seen when he does his economic activities in order to survive. There are many philosophers of economics who emphasize competition highly at the cost of ignoring cooperative action. We also see that in the history of philosophy of economics, philosophers who give their support predominantly to cooperation are not rare. Philosophers of economics giving equal importance to both of them are not uncommon too. In this brief paper, I would like to delineate that lack of an idealized set up for a worthwhile competitive market leads us to cooperative actions. I would also like to show that the importance of none of them can be ignored as sole emphasis on one of them contradicts the importance of the other.

## II

In economics, competition is a kind of rivalry between buyers and sellers in supplying or acquiring an economic service and good, taking place in markets – meeting grounds of intending suppliers and buyers. In competitive markets, firms' ability to set prices is limited in that if they charge above the market price, they would lose their customers. Information is widely available here to producers and consumers. In a competitive market, buyers and sellers exchange property rights in an economic service and good. One very important aspect of competitive market is that it protects property rights. A competitive market permits resources to be used efficiently and welfare (that is, consumer and producer surplus) to be maximized.

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Self-interested people work for their welfare. In a healthy competitive market, it is thought, self-interest among consumers provides for the most benefit for everyone. So the success of a competitive market depends mostly on to the extent it is possible to maintain and encourage the level of free competition. But it is practically seen that people with ill desires figures the flaws out to limit competitive pressure.

Competitive market economy pushes firms to bring in new products at a price and level of quality consumers exact. But many unethical conducts sometimes are results of or encouraged by this competition. Two of these conducts are child labor and corruption. If hiring children is cheaper than hiring adults, a firm hires children as it costs less. Seeing this, then, its competitors must hire children too, because children from poverty-trapped backgrounds are willing to work for lower wages than adults (Shleifer, 2004, p. 414-15). What it does mean is more profit for their employers. It also shows that child labor is related to poverty as normally children from poor families are victim of this sin of child labor. These poor children have no choice and are enslaved by others and forced to work. Again, if a firm can reduce its taxes by bribing government officials, it surely will try to save its money by doing so. It, then, encourages its competitors to be corrupted in order to last in a competitive market (Shleifer, 2004, p. 415).

It may be asked whether child labor is unethical. The response is obvious. Child labor is a consequence of hunger and malnutrition, which are also consequences of economic poverty. Economic poverty is morally unacceptable *per se*. So we should acknowledge that child labor should not be ethically permitted. It is redundant to mention that corruption is unethical. Corruption is assumed to be both responsible for and consequent of poverty around the world. Possibly there remains not a single level of our society which is free from corruption. It is an omnipresent phenomenon: no country, whether rich or poor, is unaffected by this evil phenomenon.

It has already been mentioned that competition produces sins like child labor and corruption. So, is their mother (competition) ethical? Some economists opine that long-run

market pressure will curtail unethical conducts. For example, if public opinion goes against employment of children, firms that have no child employee will be benefited more by becoming able to charge higher prices. This, I think, is not a convincing argument. Because though public opinion can put pressure on the firms not to employ the children as labors, it would take huge time to be a reality. For raising public opinion needs a lot of efforts that might in turn consume lengthy amount of time. Normally people want cheaper things, and most of them do not have any headache concerning their makers. Hence emerging-market subcontractors refusing to hire children surely cannot survive, because some other firms will produce cheaper things using child labor (Shleifer, 2004, p. 417). Moreover, competitive markets are blamed for anticompetitive practices like price fixing, bid rigging, market division by competitors, monopolization, attempted monopolization, the abuse of the dominant position, mergers, acquisitions, etc.

Competition works well if economic freedom – secured property rights, the freedom of contract, and the rule of law – is ensured. But it is widely seen that none of the poorest economies in the world is free. Here it is pertinent to mention Samuelson & Nordhaus (2005):

In reality, competitive markets do not guarantee that income and consumption will necessarily go to the neediest or most deserving. Laissez-faire competition might lead to great inequality, to malnourished children who grow up to raise more malnourished children, and to the perpetuation of inequality of incomes and wealth for generations. There is no economic law that ensures that the poor countries of Africa will catch up to rich countries of North America. The rich may get healthier and richer as the poor get sicker and poorer. In a market economy, the distribution of income and consumption reflects not only hard work, ingenuity, and cunning but also factors such as race, gender, location, health, and luck.

While the market can work wonders in producing a growing array of goods and services in an efficient manner, there is no invisible hand which ensures that a laissez-faire economy will produce a fair and equitable distribution of income and property (239).

Nozick-type analyses consider competitive market superior to any other market on the ground that it preserves individual freedom. Still it cannot be said that it heads to the best possible social outcomes. As Syed Nawab Haider Naqvi objects:

[C]ompetitive behaviour may not lead to optimal social outcomes as: (a) due to asymmetry of information and it being incomplete and costly, a competitive solution will *not* even be Pareto optimal<sup>1</sup>, and (b) by the Heisenberg principle<sup>2</sup>, such behaviour may change the objective reality accordingly, which would make the task of structural reforms more difficult (Naqvi, 2002, p. 149).

It has been a dominant view in the history of thought that human beings act from self-interest alone. Thomas Hobbes, a strong supporter of the view just mentioned, was seen once offering money to a beggar. Later on he was asked the reason, and he replied that he was trying to ease his own uneasiness at seeing the beggar's discomfort (Moore & Bruder, 2005, p. 275). But ethics becomes impossible when it is assumed that human beings always act out of self-interest. Ethics assumes that, though self-interest works as a potent motivator of human behavior, human beings are also capable of acting from a concern for others that is not derived from a concern for their own interests. According to many ethical approaches like Kantian ethics and virtue ethics, behavior that is merely caused by self-interest has insufficient or

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<sup>1</sup> One of the best known concepts of Vilfredo Pareto is his concept of Pareto optimality. A Pareto optimal allocation of resources is achieved when it is not possible to make anyone better off without making someone else worse off. In other words, an allocation of goods to agents is Pareto optimal if no other allocation of the same goods would be preferred by every agent.

<sup>2</sup> The Heisenberg principle states that there is a limit to our knowledge of reality because as we study certain physical phenomena we change them.

no moral value (Graafland, 2009, p. 482). Recent experimental research is also suspicious to the assumption of self-interested behavior. Studies in psychology by Dr. C. Daniel Batson and others hypothesize that if people would act from egoistic motives alone, they would avoid any path distressing them. By contrast, we see most of the people acting from altruistic motives help people in distress even though it might put their lives in jeopardy. Thus these studies show something very contrary to the Hobbesian point of view (Batson et al., 1981, p. 290-302).

Competition is seldom perfect, that is, it is not always possible to have that social and intellectual setting conducive to competition to take place. Hence sometimes these assumptions related to competition can be unrealistic as in the real world of economic activities, we do not get everything in an idealized state. For example, although we sometimes shop around in search of a good bargain, we often do not; information is costly to obtain; and so on. It means that our decisions are also influenced by the extent of something other than selfishness, and this is what we call cooperation.

### III

Man is said to be social by Aristotle's *Politics*, and to live in a society we have to cooperate each other. In fact we are naturally cooperative. For example, in a family we live together and work together, because we all know that things good for a family member turn to be good for the entire family. Hence an alternative to working separately in competition can be cooperative action. It is the process of working or acting together.

Though the concept of 'cooperation' was used to mean one's aid to another, at present the concept has taken a broader meaning as to include the combination of the concept of aid and solidarity with that of commercial promotion and political interests. Hence cooperation is presently understood as "a series of actions that attempt to coordinate policies or join efforts to achieve common objectives on national and international spheres. (Insulza, 1999)." This definition has several advantages in spite of being too general and vague: It raises the issue of coordination and the need to join efforts in international level. For this reason, it skips

traditional notion of aid, a “one-way traffic” from the donors to the recipients. Rather it favors a “two-way process” which spawns “mutual benefits” of both the donor and the recipient countries by satisfying their common objectives. The concept “mutual benefit” involves something more than mere economic benefits. It involves issues like environmental sustainability, human rights, social equality, etc. These issues are sometimes involved with more than one country because of their nature. For example, the USA’s pollution of air affects the air quality of Bangladesh. In order to deal with the issues like this one, cooperation, therefore, can be an ideal instrument to help come across the solutions.

Economic cooperation as a component of international cooperation has emerged as a result of globalization and integration currently going on. Globalization is mainly marked by the unification of world market. Globalization intensifies the scope of links and interconnections between states and societies. As a result of globalization, the number of people is decreasing day by day whose city is their world, and the number of people is increasing for whom the world has become their city. It also puts us in front of new economic challenges to which economic cooperation could be an answer. Hence it necessitates economic relations established in the international context. Economic cooperation at the international level can, therefore, be defined as “a component of international cooperation that seeks to generate the conditions needed to facilitate the processes of trade and financial integration in the international arena by aid implementing actions with the purpose of obtaining indirect economic benefits in the medium and long term (Insulza, 1999).”

The significance of cooperative action will be transparent in connection with the issue of distributive justice. Rawlsian theory of distributive justice regards society as a fair system of cooperation for mutual advantage between individuals. It provides a framework that explains the significance of cooperative arrangements that benefit the more and the less advantaged members of society. So John Rawls opines that the conditions for this societal cooperation need to be defended. He develops a theory of justice to make persons fully cooperating members of society (Rawls 1999, p. 4). In fact, Rawls formulates two

principles of justice to define the appropriate distribution of the benefits and burdens of social cooperation, of which the first (political justice) always takes priority over the second (social justice) (Rawls, 1999, p. 53):

- a. Each person has an equal claim to a fully adequate scheme of equal basic rights and liberties, which scheme is compatible with the same scheme for all; and in this scheme the equal political liberties, and only those liberties, are to be guaranteed their fair value.
- b. Social and economic inequalities are to satisfy two conditions: [1] they are to be attached to positions and offices open to all under conditions of fair equality of opportunity; and [2] they are to be to the greatest benefit of the least advantaged members of society (Rawls, 2005, p. 5-6).

The principle b(2) is known as the difference principle which justifies unequal distribution of any (or all) of social primary good(s) – liberty and opportunity, income and wealth, and the social bases of self-respect – only when these uneven portions of goods are to the benefit of the so-far discriminated (Rawls, 1999, p. 54). In an ‘original position’ individuals due to their staying behind a ‘veil of ignorance’ unanimously agree that equal distributions of primary goods are necessary for a just society. In that position, they also specify the conditions under which inequalities in income and wealth can be considered just as the difference principle prescribes (Rawls, 1999, p. 31). So it can be said that in the original position, a member of a society agrees to cooperate the other members of the society so that just social and economic and political structures can be established (Rawls, 2005, p. 119). Regarding the importance of Rawlsian distributive justice, Naqvi points out that:

The Rawlsian concept of ‘justice-as-fairness’ rests on the overarching idea of ‘society as a fair system of cooperation among free and equal persons.’ In such a social context, economic agents are concerned about the welfare of the other members of the society. It is through the cooperative action of

such concerned individuals that 'just' social economic and political structures can be created. This is particularly true of developing countries where structural change calls for cooperative action to resolve these problems in a satisfactory fashion, because 'if we jointly prefer a cooperative to a competitive one we have the ability to modify our society for the good of all' (p. 149-50).

This version of distributive justice put forward by John Rawls can be attributed as domestic distributive justice (Parijs, 2007, p. 638) since Rawls forbids applying it to the international context. But, I think, still we can apply it to the international level. One of the main concerns of Rawls is the well-being of the least advantaged segment in society. But as we are living in an age of globalization, the world is becoming smaller. Now we can regard the world as a society. So the rich countries should think of those who are poor irrespective of their countries. Moreover, Rawls formulates the difference principle for the benefit of those who are discriminated not for their own causes. As he points out, "[The difference principle] is the principle that undeserved inequalities call for redress; and since inequalities of birth and natural endowment are undeserved, these inequalities are to be somehow compensated for (Rawls, 1999, p. 86)."

So if a person is born in a country like Eritrea, we cannot blame him or her, because it is not his or her responsibility to be a citizen of Eritrea; rather it is a natural process. So, I think, the difference principle of Rawls is also applicable to the international context. Rawls also states that "the difference principle expresses a conception of reciprocity. It is a principle of mutual benefit (Rawls, 1999, p. 88)." Reciprocity or mutual benefit is not a matter of persons only; rather countries are also subjects of reciprocity or mutual benefit. So the first world countries should take some responsibilities to uplift the third world countries. They should extend their hands of cooperation to the poor countries so that the latter can develop themselves.

The resources of the world are scarce. In dealing with these scarce resources individualistic strategies cannot work well as we



need to coordinate different people's effort with each other and take the concerns and talents of others into consideration. As per repeated simulation studies, cooperative strategies ensure a superior collective outcome to that of the dominant individualistic strategies (Naqvi, 1993, p. 120). Even if the resources are limited, it can still be enjoyed by the minority of the people who stood first in economic competition so far took place. Now in this globalized and technologically developed world, they cannot be indifferent to the cry of the third world people (and also to the cry of the poor people of the first world). They have responsibility to pay back by cooperating them so that in future they can also do well in an economic race. Structural obstacles like lack of sanitary conditions, illiteracy, agricultural backwardness and the lack of minimum infrastructure prevent the third world countries from achieving development through their own means. Now one way of extending the helping hands of the developed world to the underdeveloped countries is to help the latter in thwarting these structural obstacles. The former can also help the latter by not imposing too much tariff (or by imposing no tariff at all) on goods imported from the third world. It is true that different countries value different outcomes related to them. But they cannot achieve it without being cooperative. For example, the USA's dream of having a nuclear weapon-free world would not be fulfilled unless they themselves are free from that weapon and unless other countries will take initiatives to get rid of this lethal weapon. In this case, they all can be cooperative to the other countries that do not possess nuclear weapon by not producing any more such weapon and by demolishing the existing weapons. Even if we consider economy only, we will see the USA always expresses its eagerness to see a world free from poverty. So we can mention it as a value of the USA. Now to materialize such a dream, they themselves should be cooperative too as well as the other countries. They should not interfere with the issues of other countries which are of these countries alone. The developed countries should stop exaggerated industrialization as a result of which the climate of the world has been changing. The most affected of this change is the third world. But being cooperative is not a responsibility that belongs to the first world only as my previous few statements might suggest; it involves the third world as well.

#### IV

From the beginning to date of the world, what keep the animal population in check are the limited food supply and other factors (Solomon, 1949). This firmly proven observation of modern biology is controversial. The 18<sup>th</sup> century economist Thomas Malthus in his *An Essay on the Principle of Population* (1798) argued not to give food to the poor, because it would expand their population and create more of the same hunger and misery. So he was against any welfare program that was designed to alleviate hunger and misery. Malthus was criticized by the poor and congratulated by the rich. Charles Darwin in his books *Origin of Species* (1859) and *Descent of Man* (1871) theorized that, in the process of natural selection, a deadly competition was important to decide the fittest for survival (Matin 155). Hobbes (1962) also recognized that humans were locked in a lethal competition for scarce resources. He hypothesized that to resolve solitary, poor, nasty, brutish and short life in the state of nature, humans agreed to cooperate for survival. They agreed to give up some of their freedom in return for peace and stability, and they created a social contract to realize their aim. Hobbesian account that humans lived in a state of war of everyone against everyone is not acceptable, because paleontologists have found evidence of interdependent, cooperative group behavior in the earliest human primates. By contrast, Locke (1924) assumed that natural law governed the state of nature as a result of which humans lived there in a peaceful world where everyone was bound to refrain from harming another's life, health, liberty or possessions. But still Locke presented the social contract as an improvement over the state of nature. Though Lockean hypothesis is admirable, its description of prehistoric humans is wrong. Societies that increase cooperation and equality might be engineered, but such perfect ideals as described by Locke are not to be found in nature. All life is in a deadly competition for scarce resources means that humans must violate Lockean natural rights of life, liberty and property just to survive. In his *The Social Contract* (1762) and *A Discourse on the Origin and Basis of Inequality Among Men* (1755), Jean Jacques

Rousseau imagined that in the state of nature, humans were solitary and non-competitive. They were happy and at peace with themselves. They were self-sufficient too. They did not compete to each other because of having a small size of population which made the earth's resources relatively abundant. Rousseau would argue that human started to compete as the population and modern society grew. Rousseau scheme also does not withstand the scrutiny of modern scientists. For hundreds of thousands of years, humans were wandering nomads. Only 10,000 years ago humans settled in one place and started to cultivate for which they could solve ancient problems of scarcity, and this allowed the start of current explosion of human population. Rousseau image of the 'noble savage' – the individual who lives alone in the wild and is more dignified and content than his socialized relatives – is also discounted by the sociologists who know of several documented cases of feral children or children brought up in complete isolation, and all behaved more like wild animals than humans (Lane, 1976).

The true law of moral and happy life is cooperation. Cooperation can solve many economic problems. Though it may not be possible to efface all social divisions and other distinctions forever, human beings can cooperate each other for the greater human welfare. In fact, the cosmological laws teach us to cooperate as we all see innumerable particles cooperate to constitute the universe. Again, analysis of any organism shows that it cannot develop or even exist unless its different parts cooperate. Similarly, cooperation is essential for any society to progress. So living in a world which is under a great threat of destruction of the very existence of mankind due to selfish use of atrocious nuclear weapons, it is high time to shelter to the spirit of love and cooperation, and for that we ought to develop a feeling of unity. As Dev (1963) says:

[A] sense of unity and cohesion must be given top-priority in the moral code of modern man and woman. We may call this politics, we may call this religion or a curious mixture of both or something

else if we like but we should remember upon this depends in a very real sense man's future. As such, the moral value of an action in the complex modern environment must invariably be judged by its capacity to contribute to human unity and understanding. An action is moral so far as it does this, immoral so far as it desists from it and exerts a separatist influence. In the durable interest of man, exclusivism and isolationism will have to be effaced from our moral vocabulary. Both science and religion go against it and in a happy marriage of them both assuredly lies man's future. To make life worth-living, we must make living itself possible and living is not possible in the modern scientific set-up without an adequate and abiding sense of unity. There is no other moral standard a priori and a posteriori which could in the absence of this be of use man to-day (p. 67-8)."

The above discussion shows that the importance of competition and cooperation cannot be denied as they both are instrumental in making any business transaction. Because two parties always set for themselves different priorities to a business transaction, business has been thought of in terms of competition. But cooperative action is also important, because in the case of cooperative activities the overall total is greater (though the outcomes differ) if we do cooperate than if we do not (Griffiths, 1996, p. 20). Hence humans form cooperative groups to compete for scarce resources. Those business firms, where employees take specialized, interdependent jobs and work together to compete in the free market, produce higher quality products and show greater work efficiency. Hence friendly cooperation is needed to compete more efficiently against other individuals or groups. It is for this reason people should value more in belonging to a group, practicing teamwork, helping others, etc. They should put more value on cooperation than competition though both competition and cooperation are natural to man.

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