

Economic Competition: Should We Care about the Losers?

Jonathan Wolff

Suppose you own and run a small shop. One night an unauthorised stranger enters your premises and removes your stock. This way of harming your economic interests is called theft, and your legal rights protect you against it. If the thief is caught, he will be punished and will be made to compensate you for your loss.

Imagine that he is, indeed, caught, and you receive compensation. With this money you restock. A month later another stranger sets fire to your store. The premises are saved but the stock is lost. This way of harming your economic interests is called arson, and your legal rights protect you against it. If the arsonist is caught, she will be punished and will be made to compensate you for your loss.

Once more an arrest is made, and you are compensated. Once more you restock. Or, at least, try to. But the deliveries never arrive. You find out that another stranger has written letters to all your suppliers, on a copy of your notepaper, saying that deliveries are to be made to a different address. This way of harming your economic interests is called fraud, and your legal rights protect you against it. If the fraudster is caught, he will be punished and will be made to compensate you for your loss.

Finally you sort out the mess and try again. But now you find that a big company has opened up a shiny new store right next to you, selling exactly the same products as you. But in a calculated ploy to put you and others like you out of business they sell their goods very cheap indeed, at prices you can't hope to match. Your customers desert you. This way of harming your economic interests is called competition. It is celebrated the world over. Those who are particularly good at it receive honours, and dine with government ministers, who listen attentively to their advice. You are finished.

Theft, arson, fraud and economic competition can all cause economic harm, of apparently very similar forms and magnitudes. Yet theft, arson and fraud are illegal, while competition is encouraged. You have rights that protect you against the first three, but not the fourth. Why is this? And why is this question so seldom asked?

I don't say that questions about the moral acceptability of economic competition are never asked. Marx, and others in the Marxist/socialist tradition, have pointed out that a society of individuals all struggling to get the upper hand, at whatever cost to each other, is a deeply

unappealing spectacle. John Stuart Mill, summarising the socialist case said:

Morally speaking [the evils of individual competition] are obvious. It is the parent of envy, hatred, and all uncharitableness; it makes every one the natural enemy of all others who cross his path, and every one's path is liable to be crossed. Under the present system hardly any one can gain except by the loss or disappointment of one or of many others.¹

In *On Liberty* he famously expands on that last remark:

Whoever succeeds in an overcrowded profession, or in a competitive examination; whoever is preferred to another in any contest for an object which both desire, reaps benefit from the loss of others, from their wasted exertion and their disappointment.²

Once we get ourselves in this frame of mind we come to realise that competition – economic and non-economic – is one of the few areas of life where people are actively encouraged to embark on courses of action that can do grave harm to others. Why do we permit it, let alone encourage it?

My experience is that people often express irritation at this question in the belief that the answer is blindingly obvious. Free competition, it is said, is required by a proper respect for liberty. To restrict competition is to stop some people doing what they want to do, and this, so it is said, reduces their liberty. Thus we permit economic competition for the sake of liberty. But this is a terrible argument. We do not generally believe that people should be free to harm each other. At best liberty is the right to act as you wish provided that you do not harm others. Thus it is not a restriction on my legitimate liberty if I am prohibited from defrauding you. Yet, it seems, harm suffered in economic competition can be just as serious. What we need to know is why we treat one of these harms as illegitimate and the other as entirely respectable. No simple appeal to liberty can provide the answer.

A more promising solution is to point out the great overall benefits that can flow from a system of economic competition. Even if competition requires 'private vices' the 'public virtues'

are so evident that we can forgive all. So perhaps we take the moral argument against economic competition to have been answered long ago, in consequentialist terms. We cannot deny that the argument is impressive. Competition keeps prices down, quality up, and facilitates efficient deployment of resources. Few will deny that this is an impressive track record: the consequentialist argument looks unanswerable.

But appearances can be deceptive, and we cannot allow the argument to rest here. Even if it is true that economic competition can be defended in consequentialist terms, this only settles the question if we are prepared to accept consequentialist arguments in unqualified form. But very few people will endorse the sort of absolute consequentialist reasoning implied here; reasoning that allows us to inflict severe harm on some for the greater good it makes available for others. This is the sort of reasoning that allows the torture of innocent children if it saves enough lives. But if you think this abhorrent then you don't accept uncompromising consequentialist reasoning; perhaps you think that the innocent should be protected. But this, then, returns us to the starting point, for many of those damaged by economic competition will claim to be innocent, and thus in need of protection. At the least, then, the consequentialist argument for economic competition requires considerable qualification. Where else can we turn?

Many readers may still think that this is a lot of fuss about nothing. In many walks of life competition is taken for granted, even enjoyed, and those who lose do not even begin to think of themselves as harmed. Those who play in a squash ladder, or play Sunday league football, and do badly, rarely complain that they have suffered harm at the hands of the winners. Rather, they vow to do better next time, or, if they are not enjoying it, stop. For most people who are voluntarily involved in competitive sport, competition is a way of adding spice to an activity that they enjoy in any case. It enhances this enjoyment. Competition, then, is plausibly part of the good life for these people, at least for a time.

No doubt some people view economic competition in this light; maybe even some for whom losing in economic competition means losing everything. But for others, this suggestion is a vast distortion of their position. They may feel forced into competition, and have no option but to swim or sink. The importance of this observation is that it makes us aware that there are different forms of competition – or at least ways of viewing competition. Before we try to say anything in general about the harms and benefits of competition, we should become aware of its forms.

Forms of Competition

All forms of competition have some features in common. A number of people (or groups, or teams) engage in an activity in which there can be differing levels of achievement, normally measured on a scale, which is often broadly correlated with some underlying trait which the scale is designed to capture. Whoever achieves at the highest level of this scale is the winner, and is awarded by some sort of prize, honour or other recognition.

It is possible to distinguish several forms of competition, or, at least, reasons why we have practices of competition:³ Here I will distinguish seven reasons. The first five, I hope, should be easy to understand, but the last two, being unfamiliar when stated in abstract terms, may seem obscure. However, illustrations later in the essay should make things much clearer.

Pure Lottery. This may well be the limit case of competition. A scarce good is to be allocated and a competition of pure luck is held as a means of fair allocation. Here one may only win or lose, and the result is not intended to be sensitive to any underlying trait of the participants. Any example would be the coin toss, as a way of deciding who will be first in a game.

Weighted Lottery. Consider the example of a marathon, run for a valuable prize. Here, once more, a competition is held at least in part to allocate a scarce resource, but this time different levels of skill, effort, or other input, are possible. In general such competitions are designed so that the greater the input, the greater chance of winning.

Pure competition. Consider two people who decide to have a bet on the colour of the next car to come round the corner. Here competitive behaviour is considered desirable in itself, and so turns an activity of no value into an activity of some value.

Constitutive competition. Here an activity can only exist if it involves competition (chess, for example).

Activity enhancement. A competition for a prize is used to add enjoyment to an activity that is already valued for itself. Competitive sport is the most obvious example.

Side-effect of award. A weighted lottery is held for the sake of the external effects of awarding the reward to someone of a certain type. (As I mentioned above, examples of this will be given shortly.)

Side-effect of activity: A competition is held because of the value of individuals acting (or the value of individuals preparing to act) in the manner required by the competition. (Once again: illustrations to follow.)

These categories are not exclusive. That is, a particular episode of competition could be valued for more than one reason. Consider the example of a parent who is asked to arbitrate a dispute between two children, who, at 4.30 p.m., declare that they wish to watch different television channels at 5.00 p.m. In the absence of a second TV or video recorder the parent declares that whichever child has the tidier bedroom at 4.55 p.m. gets to choose what to watch.

At one level this could have been intended as a pure lottery; simply a way of breaking a tie, or finding a fair means of distributing a scarce resource; assuming, of course, that the bedrooms were in an equal state of untidiness to start with. But at least at the back of the parent's mind might have been the thought that this is a weighted lottery. That is, they may believe that the child with the more intense preference should have their way, and a good way of attempting to see which child cares most is to see which is prepared to make the greater effort. Of course this example makes various assumptions, such as neither child detests tidying more than the other, but against such a background it is quite likely that the child with the stronger desire will be moved to put in a winning performance.

Furthermore, although the children certainly won't view things this way, the parent may hope

to bring about a degree of 'activity enhancement'; perhaps if the children get used to tidying their rooms in a competition they will come to see the value of a tidy room. (Of course, it may backfire: the children may be reinforced in their view that tidying up is such a useless way of spending time that it should only be done for the sake of an external goal.) Finally, and most obviously, the parent is almost certain considering the 'side-effects of activity'. By getting the children to act this way, the parent's own burdens are likely to be significantly reduced. Thus this case illustrates the seventh category (side-effect of activity) above, and also shows that one competition can serve several goals.

The idea of side-effect of activity may, as I noted, be hard to grasp, and so some further examples may help. Consider a publisher who sets a literary quiz, largely based on its own books, in order to stimulate sales to those who want to take part. Or a farmer who sets a ploughing competition, in order to get his field ploughed. In both cases the main objective of the person setting the competition (although not of those taking part, who simply want to win) is to reap the benefits of people engaging in the competitive activity. The competition is valued not because it allows us to allocate a scarce resource, but because of some external effect of people behaving in the manner required or encouraged by the competition.

Other examples can demonstrate the point already made that a competition can be valued for more than one reason. In *On Liberty* Mill briefly discusses two examples of competition; not only economic competition but also competitive examinations for the civil service. In this latter case, we can see it as aiming to satisfy a number of goals. First, it is a weighted lottery, giving desirable jobs to those who put in the most effort or have the highest ability. Second, this provides an illustration of the idea of 'side-effect of award'. It is for the good of us all if jobs in government offices are put in the hands of those with the most appropriate talents, and the competition will tend to have this effect, to the benefit of us all. Finally, there is an indirect side-effect of activity. If rewards go to those who do best in examinations then everyone has

an incentive to educate themselves in order to do as well as possible in those examinations. This will raise the general educational level of society as a whole, to the benefit both of the participants and the rest of society. Here, then, the benefit stems from people behaving competitively, rather than the effect of awarding the prize to one person rather than another. Interestingly neither of these arguments appeal to the idea that the most talented deserve to have the best jobs, although we might also believe this.

But let us change the example, so that the costs of receiving an education much outweigh the benefits, unless you happen to get one of the scarce jobs, which, let us also now say, don't really require any special talents. Nevertheless we continue to have the competition (rather than some other way of allocating the jobs) because we think the economy will benefit from an educated workforce, and realise that this is the best way of encouraging people to educate themselves. So now we are encouraging people to take a large risk of loss, purely for the good it does for others. Might, then, we begin to have some doubts about this practice? Note that in this case, like both the literary competition and the ploughing competition, the people setting the competition were using it simply as a way of achieving goals that had nothing to do with the competition in itself. They either wanted a field ploughed, or books sold, or the economy boosted, and were prepared to use the competition as a means to that end. This sounds sneaky; maybe even exploitative, and should put us on our guard. Are there moral grounds for objecting to competitions valued for side-effect of activity? Maybe. But to give a proper answer I will have to introduce an analysis of exploitation.

Exploitation

For present purposes I can be brief.⁴ The core of exploitation is making some sort of wrongful or unfair use of another person purely for your own benefit. This is normally only possible if that person is vulnerable in some way; if they

are weak, poor, ignorant, or dependent, economically, emotionally or psychologically. Traits like ambition or avarice can also make you vulnerable. Just as in judo, it is said, you can turn your opponent's strength against them, a skilled exploiter can turn what is often thought of as a strength of character into a weakness. Typically, then, an exploiter is someone who uses another's weakness for their own ends. Yet what does it mean to use another for your own ends? Don't we all use each other for our own ends all the time? When I buy a ticket to watch a play I have only my own ends in mind, and not those of the actors, investors or even the ticket seller. But I want to get at another idea. To use another person for your own ends, in the sense I am interested in, is to act without sufficient regard for how the other person may be affected. It is this lack of regard that makes you an exploiter. Now you may reply that in this case that still leaves us as exploiters in much of what we do, and this cannot be true. But in response I would say, first, that we are likely to have at least some regard for the other parties to these transactions without realising it. If we found that the ticket seller was chained to her desk, and the actors blackmailed into performing for no pay, we may decide not to go to the theatre at all. Now if you continue to contend that even after making such discoveries you would go to the theatre, I would respond that then you *are* treating these people merely as means to your own ends; that you are an exploiter. In sum, then, an exploiter is someone who uses another person as you might a tool or instrument; that is, without regard to the effect your behaviour might be having on them.

Before leaving the analysis of exploitation I should make clear that while it may always be wrong to act without sufficient regard for others, it is not always exploitative. A drunk driver is negligent but not exploitative. Exploitation requires not mere impact – actual or possible – on others, but that in the circumstances as they are, they or their action should be an essential component in the achievement of my goals. Thus an exploiter in some way relies on the exploited person, but does so without worrying about how that person will be affected.

Let us return to the idea of side-effect of activity. Are there cases where this turns out to be exploitative, by the definition just given? We have four examples so far: the tidying competition, competitive examinations, the ploughing competition, and the literary quiz. In the case of the tidying competition it seems reasonable to say that the parent was being opportunistic, but not exploitative. He probably has his children's best interests in mind, and, in any case, children ought to keep their rooms tidy. But imagine parents who managed to get all the household chores done by setting competition after competition, simply so they can spend every evening in the pub. Surely we would conclude that this has crossed the line into exploitation.

In each of the other cases as they are described, we might think it is going too far to say that those setting the competition are exploiters. After all the ploughers voluntarily enter the competition and all they lose is a little time; those who enter the literary quiz are probably intelligent enough to understand what is going on and don't mind it too much; and finally it is good to get an education. But as we have seen, we can adjust the examples to make them appear exploitative. In the last version of the competitive examination example we considered, getting an education is extremely costly in terms of time and money. And suppose that while a population of educated people is generally more prosperous, there is no particular advantage for the educated person, unless they happen to win one of the high-status jobs (for which the education is, we assumed, not really necessary). Here, I think, we could reasonably describe the set-up as exploitative. A competition has been set up for the general good, but without sufficient regard to how this affects the people who are enticed into the competition by the promise of victory.

Now it might be said that even this cannot be exploitative because the competitors voluntarily entered the competition. Yet we should note that it is a general feature of exploitation that the victims are, in some sense, willing. Because individuals are in a vulnerable position, others can take advantage of this. Consequently the

exploited person is offered an opportunity which while it might seem to be the best thing to do, is in some sense 'low-grade' or carries at least some risk of harm. So generally, those who are exploited do, in some sense, agree to take part in the exploitative situation. Thus the fact that the exploited people consent to the exploitative situation is not, in general, a sufficient defence to the charge of exploitation.

However there do are several factors that can be used as a defence against the charge that people who benefit from a system are exploiters:

- That the victims are also part of the group that benefits.
- That those who benefit have no influence or control over the system.
- That the interests of the victims have been taken into account to a sufficient degree.

The last of these, I think, would simply show that the system is not exploitative. The second would show that the beneficiaries are not to blame for the exploitation. The first would possibly make the system less exploitative, but not necessarily remove the claim entirely. These possible defences will become relevant shortly, when we look at the question of whether economic activity is exploitative. But let us say, for the moment, that any activity that is primarily valued for the side-effects of people engaging in competitive activity is *potentially* exploitative. Whether it is *actually* exploitative depends on the presence or absence of the factors just mentioned.

Economic Competition and Exploitation

It is time, finally, to return to the issue of economic competition. Why is it valued? Which of the categories set out above does it fall into? It may, of course, like the tidying competition, fall into more than one.

It is clear that economic competition is rarely, if ever, valued as a pure lottery; as a fair way of distributing scarce resources. What about a weighted lottery; a way of putting resources in the hands of those with particular traits? Often

competition is defended in these terms. The winners in economic competition are more deserving, hard-working and resourceful than others. Sometimes, of course, they are also more greedy, deceitful, manipulative, and double-faced than the losers too. But more often they are just plain lucky. They might have been born with the talents or money to give them a headstart, or simply got a lucky break along the way. Still, we need not settle the question of desert here. All we need say is that some people will try to defend economic competition in terms of desert, and hence in terms of a weighted lottery.

The, next category, 'activity enhancement' is less plausible as a general defence of economic competition. To use this argument would be to claim that economic competition enhances an activity that is otherwise desirable in itself; that competition adds spice to commerce. This may be true for some, but surely most producers or traders would feel more comfortable with a monopoly position. Competition is seen as a fact of life, not a life enhancer. Note also that this shows that the 'constitutive' approach is also unavailable. Trade is possible without competition. Even if no one has a monopoly, cartels may form in which, say, members of trade associations agree not to undercut each other.

This leaves us with the two instrumental justifications. The idea I called 'side-effect of award' would require us to value economic competition because we find it socially useful for the enterprising to have more money than the less enterprising. Remember that this is distinct from any considerations of desert, which were discussed in connection with the idea of the weighted lottery. And indeed it is sometimes said that the enterprising can make better use of resources than the rest of us, and this is for the good of all. This may well be true. But even so, 'side-effect of activity' is a more common defence. This is the idea that, from the point of view of social utility, the important thing about economic competition is not who wins or loses but that enough people are playing the game. Competitive activity is what we want, for it is this that keeps prices down and quality up. For this reason we don't actually want

anyone to win the competition, for that would end the competition and leave us with monopoly. We want the competition to go on indefinitely. The inescapable conclusion is that we value economic competition primarily because the process or activity of competition benefits people outside the competition.

It should not now be too difficult now to see how the anti-competition argument runs. First I argued that when a form of competition is valued primarily because of the side-effects of people engaging in that competition, then there is something morally dubious about setting such competitions. It is potentially exploitative. And then I suggested that this is precisely why we value economic competition. So now we find ourselves with the conclusion that there is something morally suspect about economic competition; that it is potentially exploitative.

Note, however, we must be clear about the nature of this suggestion. Although the winning competitor may well harm the losing competitor, I would not claim that the winner exploits the loser. Not at all. Rather, the exploiter, if there is one, is you, or me: the consumer. Why? Because we, the ordinary voters or consumers, benefit from the process of economic competition and are quite happy to acquiesce in a system where people potentially do a great deal of harm to each other for our benefit.

Now this is not, of course, enough to show that we are actually exploiters. We benefit from all sorts of things without being exploiters. Rather exploitation involves gaining a benefit from other people without giving sufficient regard to their interests. As consumers we are potentially exploiters, but will be actual exploiters only if we do not pay sufficient attention to the interests of those who may be harmed in the process of creating cheaper or better goods for us. If we use economic competitors for our own ends, without concern for how they are affected, then we are exploiters.

I can well anticipate the reluctance many will have to accepting the idea that consumers exploit producers. Isn't it just absurd to say that I, and others like me, exploit mighty multinational retailers, or enormous agribusinesses, or even the small shopkeeper at the end of the road?

What harm do I actually do? Now there may be an answer to this, but before getting there we will do well to remind ourselves that exploitation does not require actual harm to anyone. Just as a drunk driver has acted wrongly even if she doesn't harm anyone, an exploiter may similarly be guilty of a form of reckless endangerment. But I still anticipate resistance to this conclusion, so let us try to isolate its source.

First it might be said that there is no alternative to economic competition. But this is patently false. Most industries are protected in some ways, if only by such things as health and safety legislation. Legally you can't enter the trade if you don't comply. It is possible to increase the degree of regulation to the point where, by law or fact, every existing producer is protected from competition and becomes a monopoly supplier. This may be an awful economy, from the point of view of the consumer, and so this is why we encourage competition. But none of this shows that competition is not a form of exploitation.

However, I did lay out some excusing conditions which will prevent a potentially exploitative situation becoming actually exploitation. One was that if the exploited group is part of the group that benefits then although they may still have some complaint it seems mitigated. And, indeed, those who take part in economic competition often benefit from the fact that others do too. So this will often apply. A second was that if an individual had no control at all over the existence of the activity then blame seems to disappear. Yet even if this is what we think, it cannot be true of us. Surely as members of an electorate, and as consumers who could make different purchasing decisions, we bear a collective responsibility. We could vote for governments that act differently, or only buy from certain types of producers. Thus we cannot excuse ourselves this way. However the final mitigating circumstance is the trump card: if those who benefit also sufficiently take into account the interests of those who may suffer then there is no exploitation. It is only where there is disregard that the charge of exploitation bites.

Does this get us off the hook? Possibly. All developed countries have fairly sophisticated measures to protect people from falling 'too'

low. Although it is hard to say where the distinction between unconcern and sufficient concern should be set, it is plausible that in many countries sufficient concern is shown for those who lose in economic competition. We have bankruptcy laws that allow people to draw a line under their failure. We have social security to feed and shelter them when they cannot otherwise survive. In these and other ways we stop the weak from going to the wall, and so it turns out that we might not be exploiters after all. Collectively we show more concern than we might have realised. Not only do these measures provide a financial safety net for those who fail, but they also provide a moral safety net for the rest of us. By protecting others in this way, we are protecting ourselves from being exploiters.

Can we stand back satisfied that, although economic competition is potentially exploitative, it is not actually so? So are earlier impressions correct: this *is* a lot of fuss about nothing? Not so fast. I have not, to this point, been very explicit about who falls into the category of 'producer'. Examples have been small traders and large companies. But we cannot overlook the people who work for those companies. They too are producers, sucked into a process of competition which is for the benefit of others. These are people who engage in a process of economic competition not out of greed, or ambition, but simply because they have no other sensible alternative. Now it will be correctly pointed out that on the analysis presented here this doesn't make them exploited. After all, we voted for governments that put in place minimum wage legislation; that regulate the workplace in various ways; and that provide for people if they are thrown out of work. Surely we can take comfort in this.

Well, we do take care of our compatriots in these ways, at least to some degree, and so we don't exploit them. But this is not the end of the story. We are part of a global market place and many of the goods we purchase are now produced in the developing world precisely because it is cheaper to do this. It is cheaper partly because the safeguards to protect the vulnerable that we have grown used to simply do not exist in these territories. Think of the competitive

advantages of producing in countries where wages are minimal, health and safety legislation, and social security virtually non-existent. Thus we benefit without providing a safety-net. And we cannot rely on the other mitigating circumstances set out above. Exploited third world workers barely benefit from the system that exploits them. We as consumers could decide only to purchase goods from countries with good social legislation, even if this puts prices up. But most of us don't, and, typically, we act with little or no regard to any harms that may be suffered by those engaging in production overseas for our benefit. Now it has to be said that not all of the harms suffered by producers in poor conditions are the result of economic competition. But nevertheless it is the need to keep prices down, and quality up, that often explains poor pay and conditions. So although we may console ourselves with the thought that we no longer exploit our fellow citizens, even though we set them in competition, this argument does not generalize. In importing goods we are exporting exploitation. Putting our heads in the sand is part of the problem; not the answer.

Conclusion

In sum, then, there is something morally suspect about economic competition, but not what we first thought. The problem is not so much that the winners harm the losers – even though they do – but that we, as voters and consumers, benefit from a system which allows people to harm each other. Potentially, we who benefit are exploiters. I conceded, however, that as long as there are safeguards in place that show sufficient regard for the interests of those engaged in competition, there is no significant moral wrong, no actual exploitation. But if we derive benefits from a system which does not contain such safeguards then the situation differs. And this does seem to be our position with regard to international trade, in many cases. We encourage others to risk, and to suffer, harm for our benefit. Thus, to the degree that this is true, we are exploiters. This may not be a comfortable conclusion, but it is not so easy to see how it is to be avoided.

Notes

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- 1 J. S. Mill, Chapters on Socialism, in *On Liberty and Other Writings*, ed. S. Collini, (Cambridge: Cambridge University Press, 1989), p. 233.
- 2 J. S. Mill, *On Liberty* in *Utilitarianism and Other Writings*, ed. Mary Warnock (Glasgow: Collins, 1962), p. 277.
- 3 I first set out these distinctions in 'The Ethics of Competition', in *The Legal and Moral Aspects of International Trade, Freedom and Trade*, volume III, ed. A. Qureshi, G. Parry, and H. Steiner (London: Routledge 1998), pp. 82–96. This essay also makes use of several arguments made there.
- 4 A fuller account is set out in my 'Marx and Exploitation', *Journal of Ethics* 3 (1999): 105–20.

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