

Competition: Is it all it's cracked up to be?

These days, the word 'competition' is universally propounded by politicians, the multi-lateral institutions, economists, and business leaders as being necessarily a good thing. We are all told that if business is 'competitive' it will prosper; that if our labour skills are 'competitive', then we will prosper; that if Britain is 'competitive', its economy will prosper in the global market. Another example which has by now become a familiar feature on the 'competitiveness' landscape is the institution of the 'Competition Commission' or similarly named bodies which now operate in most countries. These institutions are set up by governments, we are told, in order 'increase competition' supposedly to keep prices low by protecting us from the exploitation of monopolising corporate power. In all these ways, therefore, we are generally led to believe that competition is always synonymous with the public interest; that it is necessarily a good thing. The more competition, the better things will be; the more competitive we are, the richer we will become. So is competition really all it's cracked up to be? Is it necessarily a good thing? I put these questions because, if asked to reduce to one word what I believe to represent the core of our world economic, environmental and social problems, that word would also be '*competition*'.

Competition and Fear

I will not attempt to justify that statement in any depth, save to say that the reason world problems only seem to worsen and businessmen seem reluctant to fully embrace sustainability is not because we lack the resources, knowledge or will. It is because competition induces fear. Governments now shrink from implementing any policy that might incur the displeasure of internationally mobile capital for fear of devaluation, inflation or capital flight. They also fight shy of imposing tighter controls on industry for fear of capital, jobs or new inward investment moving to competitor countries. Businesses, too, resist the implementation of environmentally responsible technology not because it cannot be done but because they fear increased costs and reduced competitiveness resulting in lower profits and lost market share. Mergers and acquisitions and their attendant job losses also occur, not so much out of greed but out of fear for companies to retain competitive advantage and relative safety to avoid themselves becoming targets for hostile takeovers. So in the industrialised world we should, I think, be much more aware that competition places severe restrictions on businesses to living up to their often genuine aspirations to higher standards of social and environmental behaviour. Sustainability consultants to industry should therefore be aware that the limitations to the achievement of their projects are largely determined not by the willingness of management or employees, but by the constraints imposed by competition coming from outside. For in the end, businesses can only afford to behave as sustainably and responsibly as their main competitors permit. But we should equally be aware that competition is not just a 'first world' phenomenon: Third World countries, too, must compete with one another to attract investment from foreign multinationals by submitting to IMF-imposed 'structural adjustment' and by allowing their raw materials to be plundered and indigenous peoples displaced. Their exports, too, earn ever-lower levels of foreign exchange as First World buyers have consolidated their purchasing power playing one producer off against another. Third World governments are therefore locked in to a vicious circle of ever more ruinous debts owed to the World Bank and equally ruinous 'structural adjustment' administered by the IMF. And all this in the name of 'improving their competitiveness' in the global market; or as the IMF and the World Bank put it: "short-term pain for long-term gain"

Competitiveness vs. Democracy

There seems, therefore, to be rather more to competition than meets the eye. For not only is the public and business subject to the strictures of 'competitiveness' in what is now a global market, but so are nations and governments. And this has serious implications not only on the ability of business to embrace sustainability wholeheartedly, but also for democracy itself. Indeed, with increased government reliance on capital markets to finance public deficits and on corporations to maintain employment, internationally mobile capital now operates beyond the effective control of any political authority and its mobility has the effect of enforcing a regime of 'competitiveness' on all nations in so far as they are integrated in the global economy. The ability of capital to move, or merely threaten to move, across national borders effectively precludes the implementation of any national policy that might incur market or corporate displeasure; i.e. any policy which might impair 'national competitiveness'. The markets have consequently engineered strong leverage over the economic, social and environmental policies adopted by any country ensuring that only market and business-friendly policies are pursued - *regardless of the party in power*. The result is the strangle-hold of pseudo-democracy in which, whatever party we elect, the policies delivered remain substantially the same. It's surely little wonder, therefore, that policy differences between parties around the world have become indistinguishable nor that Tony Blair is often referred to as the best Conservative Prime Minister since Margaret Thatcher. And since virtually all nations are part of an increasingly integrated global economy, they are all subject to the same strangle-hold. Whilst governments remain impotent, business is effectively abandoned to a global struggle for the survival of the fittest. And that means profits must ultimately take precedence over people or the environment.

The 'Dictatorship of Competition'

In de-regulating capital markets during the 1980s, it seems nations have unleashed a force they can now no longer unilaterally control – a global competitive merry-go-round now spinning so fast that no nation can get off unless it is forcibly ejected by the market itself. In short, the global market represents a giant, planetary, economic competition: a competition running out of control. Whilst politics remains primarily national, capital has become truly transnational bearing allegiance to no nation. As such, the strictures of competition which the global market demands from all players amount to a 'global dictatorship of competition' which is putting us on a direct collision course with both the environment and human need.

But what all this serves to show is that there are indeed TWO sides to competition: one constructive, the other destructive. For competition to be constructive in any context, cooperation between all the participants in that competition or game is first needed both to define appropriate rules and to respect and police them. Indeed, one might say that, in order to be constructive, competition must always be held subordinate to cooperation so that once these cooperative rules and enforcement measures are in place, competition can be very fruitful and can indeed become 'the engine of innovation and lower prices for consumers'. But as I have outlined, this is not the case in today's globaleconomy. And under circumstances of inadequate control, as any parent knows, even a competitive children's game can quickly lead to a small war. Since no transnational institution nor any comprehensive association of nations exists capable of enforcing appropriate rules upon globally mobile capital and transnational corporations (TNCs), it can truly be said that competition has become disembedded from cooperation and is now running destructively out of control.

But I believe it is generally true to say that this state of affairs is not the result of an 'evil conspiracy' on the part of transnational corporations, market traders or fund managers but merely the natural consequence of competition having become unshackled from cooperation. After all, in

the case of corporations, their evolution to becoming transnational has been a function of ever-greater size driven by the need for increased profits and market share in an increasingly competitive environment; in the case of the markets, on the other hand, the cause was a deliberate, but foolhardy policy of deregulation on the part of politicians in the belief that greater prosperity would result. Evil conspiracy or not, the inability of politicians to regain control leaves them little option but to accept this situation whilst claiming its effects to be ‘natural’ or ‘inevitable’:

U.S. President Bill Clinton: “Globalization is not a policy choice, it is a fact.”

UK Prime Minister Tony Blair: Globalisation is “irreversible and irresistible.”

The Mind-Set of Competition

Politicians’ acceptance of the free market and globalisation as ‘inevitable’ or ‘natural’ is both interesting and highly significant because it reveals what could be called ‘the mind-set of competition’; a mind-set which represents nothing less than the terms of reference or framework within which the minds of politicians, the leaders of the multi-lateral institutions (WTO, IMF, WB) and the economists who support them work. It therefore subconsciously determines the parameters, preconceptions and scope within which all their thoughts and decisions must necessarily be framed. This mind-set amounts to a one-dimensional, myopic and ultimately flawed understanding of competition itself. For it sees competition as exclusively beneficial whilst totally failing to see or recognise its destructive side. Now this is highly significant because, if you are a politician, it necessarily leads to a flawed thought-process which runs something like this: “Globalisation is inevitable and so is the free-market because there is, in any case, no way to stop it – in fact it’s probably natural anyway. The reality of the global market is global competition. So we must compete. And the better we compete, the richer we become. Since getting rich is good (and it will win us votes), so competition must be good. And to have its full effect, competition must be enforced consistently on a world-wide basis if we are all to become richer. So we must establish and support a supra-national ‘competition-enforcer’ to do so.” Hence the establishment of the WTO.

In the light of the loss of control over the global economy on the part of national governments, it is not quite correct to see the WTO, as many do, as the cause and focus of our global ills. After all, financial market deregulation and the ability of TNCs to move production across national borders are both phenomena which clearly pre-date the establishment of the WTO. But having unwittingly lost control over the global economy and then found themselves abandoned both to its competitive forces and mind-set, the only response national governments could make was to ensure that competition exerted its ‘inevitable’ force more rigorously, mechanistically and ‘fairly’ by establishing the WTO. We should, therefore, more properly regard the WTO as a *symptom* of the absence of political control over the global economy rather than its cause. It is therefore the lack of control over globally mobile capital and corporations which should instead represent the true focus of our attention.

Similarly, we should also ask ourselves whether it is really correct to see the International Monetary Fund (IMF) as being in control of the global financial system. Although its directors doubtless see themselves as such, the IMF is largely the creature of the G-7 group of most powerful nations who, as mentioned above, are themselves incapable of re-imposing any meaningful re-regulation on internationally mobile capital and corporations. So what chance the IMF? It should therefore not surprise us that their prescriptions for introducing economic stability

restrict themselves to ‘soft’ measures such as ‘greater transparency’ or ‘enhanced surveillance to provide improved “early warning” of imminent financial crises’ and so on.

Furthermore, the flawed acceptance by politicians and the multi-lateral institutions of global competition as inevitable and exclusively beneficial can never lead to policies that are appropriate. For as we have seen, competition also has a highly destructive side which must be taken in to account. But being subject to the ‘mind-set of competition’ and therefore blind to that destructive side, our political leaders and the multi-lateral institutions are of course bound to prescribe yet *more* competition (i.e. more ‘Structural Adjustment’, more privatisation, more cuts in tax and public services, etc.) as the cure to those destructive effects and not less. In this way they will tend to exacerbate global poverty still further whilst honestly – but wrongly - believing they are helping to reduce it.

In other words, the very institutions we expect to solve global problems are themselves afflicted with a pathology or mind-set which causes them to act in ways which *exacerbate* the very problems they are trying to solve. And one cannot overestimate the perilous predicament for humanity their fundamental misunderstanding of competition represents.

By contrast, however, we should also be clear that destructive competition is not just the unacceptable symptom of global free trade. It is equally the unacceptable feature of protectionism so often characterised by a competitive, tit-for-tat raising of national trade barriers so often cited by free-marketeers as the cause of previous world wars. Indeed, no single doctrine, be it global free-trade or global protectionism, can offer an answer to our problems. Nor can economic justice or environmental and employment security be fostered within a framework of unfettered competition of either variety. After all, competition is not about justice or security – it’s about *winning*. As the inevitable symptom of both hitherto available paradigms, it shouldn’t be too difficult to deduce, therefore, that out-of-control, destructive competition *itself* represents the underlying driver of today’s global problems.

Tragedy of the Commons?

The conflict arising in today’s competition-driven global economy which demands constant growth in a finite global environment brings to mind Garret Hardin’s classic work “The Tragedy of the Commons”. Hardin describes this same phenomenon of destructive economic competition using a publicly owned area of grazing land as an example/model. This large piece of land is owned by no one - it is common land (‘commons’) and it is as yet unregulated. Local herdsmen allow their cattle to graze on the land but over-grazing is destroying it. All the herdsmen know this and also know that further grazing by adding further cattle to their herds will soon completely destroy that land for ever – so the problem is not one of education. But they don’t stop doing it because of competition: each knows that if he alone stops or reduces the time his cattle can graze, his cattle will not get any of the remaining grass while the other herdsmen will. As Hardin states:

"...the rational herdsman concludes that the only sensible course for him to pursue is to add another animal to his herd. And another; and another.... But this is the conclusion reached by each and every rational herdsman sharing the commons. Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit - in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own interest in a society that believes in the freedom of the commons. Freedom in the commons brings ruin to all."

What Hardin recognised is that the story of the herdsmen is also the story of competitive

capitalism which demands growth and competition in a finite global environment. And as we have seen, it is also now running out of the control of any political authority. So for the herdsmen and for the nations of the world who are caught in this system, acting responsibly is simply futile, particularly for those who benefit the most from the current state of affairs. It should be of little surprise, therefore, that the USA, the world's most prolific polluter, torpedoed any sensible agreement on reducing greenhouse gas emissions at the recent climate change talks in the Hague and has since abandoned its commitment to the Kyoto Protocol altogether. Without regulation of financial markets, corporations and our global commons, therefore, destructive competition between the economic actors will continue its destruction with potentially disastrous human and environmental consequences.

From Competition to Cooperation

As Hardin's "The Tragedy of the Commons" demonstrates, what we most urgently need today is a way out of the dilemma of the 'dictatorship of competition'. Even though Hardin's herdsmen knew full well they were destroying their environment, and ultimately their own livelihoods, so they would undoubtedly have been desperately searching for a way out of their dilemma; a way out of the vicious circle of competition and into a virtuous circle of cooperation. And today, as we suffer under the destructive effects of the 'dictatorship of competition' whilst environmental threats such as global warming loom over us, we too must surely search for the elusive bridge that will take us from competition to cooperation. Indeed, as corporate globalisation brings into focus the conflict of growth in a finite environment, it could be said that this represents the ultimate test for humanity. For finding the bridge that will take us from competition to cooperation is the true meaning and challenge of globalisation. And to my uncertain knowledge, there exists only one practical proposal for making that transition in a peaceful, secure and responsible manner: the Simultaneous Policy.

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