

## CHAPTER XII

### COMPETITION

IN former chapters it has been shown that the socialist contention of the failure of competition, the assertion that the inherent tendency of free industry is towards the displacement of competition by monopoly in so far as employers are concerned, is a delusion. It has been proved that nearly every kind of monopoly can be traced to some form of legal restriction, to legislative interference with the equal rights of all men, by the creation of special privileges for some, *i.e.* to legal limitations of competition.

There remains, however, the further contention, that industrial competition, *qua* competition, is the cause of the exploitation and degradation of the labouring masses, a contention which challenges an inquiry into the nature and function of competition. No such inquiry has ever been instituted by socialists, who content themselves with asserting the inherent wickedness of the competitive process. Yet such an inquiry alone can determine whether the evils which to-day result from competition are due to competition as such, and are ineradicable, or whether they result from some interference with competition, and can be eradicated by the removal of such interference.

That competition is not an arbitrary human invention, but an inherent necessity of life, is shown by the fact that it secures the maintenance and evolution of life throughout all nature. The welfare of any organism depends upon a due proportion between its several structures and their respective functions, and this due proportion is secured by the competition of the several structures for nutriment.

Every structure receives a supply of blood in proportion to its activities. If the performance of function is defective, the supply of blood which it receives falls off and the structure deteriorates; if the performance of function increases, the supply of blood increases and the structure develops. This competition of the several parts of an organism for nutrition, therefore, secures that balance between the relative powers of all its structures on which depends the efficiency of the entire organism, as well as that constant adjustment of structures—some dwindling, others growing—by which the organism adjusts itself to changes of conditions.

This principle of self-adjustment through competition within each individual is paralleled by the principle which enables a species as a whole to adjust itself to the conditions under which the life of its members must be carried on. For this adjustment likewise depends upon each individual being supplied with food according to the activities which it puts forth. Only if the individuals whose structures and consequent activities are best fitted to surrounding conditions receive larger benefits, and those less fitted receive smaller benefits or suffer greater evils, can there arise the survival of the offspring of the best fitted, inheriting these parental traits by which the ultimate adjustment of the whole species is secured. This adjustment, therefore, depends upon a competition of individual with individual, similar to the competition of structure with structure within each individual, by which reward is proportional to merit, leading to the ultimate extinction of those least able to compete.

Likewise the evolution of lower types into higher types is made possible only by due apportionment of reward to merit through competition. Variations of structures can become fixed only when they are serviceable, *i.e.* if they secure to their possessors a better chance of obtaining food or safety, and, consequently, of leaving offspring similarly varying from the original type. For the better nutrition, prolonged life, and greater power of propagation which come to the members of the more highly evolved species, lead to the displacement of

similar species the structures and consequent faculties of which are less adapted to their needs. Once more, therefore, competition, securing due reward to merit, subserves the purpose of life, by causing the development and securing the persistence of attributes, physical, mental, and moral, which distinguish higher types from lower types.

Throughout the industrial part of human society, competition achieves a kindred apportionment of reward to merit, securing kindred results. A vital difference, however, must be pointed out. While merit in sub-human species consists mainly of self-subserving activities in the relation of unmated adults with each other, merit in the industrial relations of men in the social state consists solely in other-subserving activities. For the essence of the social state is that voluntary co-operation which results from the exchange of service for service ; and the meritoriousness of any industrial act, therefore, is measured by the amount of service which it affords to others. Merit consisting in service, the reward of merit in the social state, must, therefore, be proportioned to service rendered. That any industrial agency—industry, trade, or profession—flourishes or decays under the stress of competition according to the degree in which it supplies felt wants, *i.e.* renders services, needs no proof. What needs to be proved here, because generally overlooked by socialists, is, that under the stress of competition every industrial agency is impelled to put forth the greatest activity, *i.e.* render the greatest service in return for the reward which it receives ; as also, that within each of these agencies competition impels every individual to do the same, and allots to each of them a reward equal to the services which he renders.

Two kinds of industrial competition are conceivable. One is that in which the number of prizes is smaller than the number of competitors, and where, therefore, some competitors cannot obtain any prize. In the other, the number of prizes is equal to the number of competitors, but the prizes vary in value, and competition, therefore, merely determines the value of the prize which shall fall to each

competitor. Both these forms of competition are in existence.

Architectural competition furnishes an example of the first kind. A public building is to be erected and a prize is offered for the best plan. One architect only can gain the prize, yet nothing but good results from this, the most onerous kind of competition; for not only are all the competitors stimulated to the exertion of their artistic faculties, but the object for which the competition is instituted, the best plan, cannot be attained with similar certainty by any other method.

The second kind of competition, that in which competition merely decides the value of the prize which shall go to every one of the competitors, and in which no single competitor need go without a prize, while obviously less onerous, is of far greater importance. In order to fully and clearly elucidate the principles which determine this form of competition under natural conditions, it is advisable to study its action as it operates on various classes.

Every medical man is constantly competing with other medical men as to which of them shall gain the confidence of the greatest number of patients. He to whom the greatest number give their confidence will be able to charge the highest fees and to collect the most remunerative practice. But the fact that the services of one surgeon or physician are valued by the public at £10,000 a year, does not prevent other surgeons or physicians from earning an income. The income of every medical man is determined by the competition of doctors for patients and patients for doctors, and is exactly equal to the value which the public places upon the service which each of them can render.

The community, however, wants the services of a limited number of doctors only, and nobody can tell what this number is. When disease is rife more doctors are wanted than at times when the state of public health is normal. Some doctors, therefore, may earn a decent income sometimes, while at other times they will fail to do so, and these will be precisely those doctors on whose

services the public places the least value. If there are, however, more medical men than the public wants at any time, those whose services are regarded as least valuable never can make an adequate income as medical men. These, therefore, will be compelled, sooner or later, to devote their faculties to the rendering of some other service which the community requires, and for which these fit them better than for the practice of medicine.

What is true of medical men is equally true of all professions in the absence of monopoly. In the long-run every professional man will be paid in accordance with the value which the community places on his services; those whose services are regarded as least valuable and are in excess of public requirements will have to leave the profession in which their services are not required, and will enter on some occupation in which they are useful; the community is assured of always receiving the best professional service which can be rendered; and the mechanism which assures these beneficial results—results which could not be obtained in any other way—is competition.

If it be now objected that the judgment of the community is not always right, that among the professional men whose services are accepted there may be some less fit than some of those whose services are rejected, the objection must be admitted to be true. That a human agency is not perfect, however, will not cause it to be rejected by reasonable men, unless a more perfect agency is available. Which is the agency more perfect as a selector than the estimate of the whole community? If it is replied that this more perfect agency is a governmental body, socialistic or otherwise, the obvious answer is, that the units composing this body must themselves be selected by the community; that if the judgment of the community is unreliable when each man deals with what directly concerns his own welfare, it must be infinitely more unreliable when each man deals with what only indirectly affects his own welfare, *i.e.* when all join in the selection of the men who are to select all the professional and other men who shall supply public wants. Competition, therefore, while not infallible, is yet far less fallible than any

socialistic substitute in the selection of the fittest men for the services expected of them.

The principles set out above also guide the competition of other classes. Take that of manufacturers, and as an example that of manufacturers of boots. The one who produces the best boots at the lowest price, *i.e.* who renders his services against the smallest sacrifice on the part of the community, will, in the long-run, have the largest output, and will earn the biggest income. Unfortunately for the community, however, he cannot supply all the boots required. Therefore other and inferior manufacturers must be employed. These will earn incomes less than that which falls to the best manufacturer, but which in every case correspond to the value which the public places upon their services. If, however, there are more boot-manufacturers than the community requires, some must go without incomes, or must devote themselves to some other occupation in which their services are required. The men so weeded out will in the long-run be the least capable manufacturers of boots. Here again it is competition which secures to the community the best service, and which transfers to useful occupations those men who otherwise would lead lives useless to the community.

These considerations obviously apply with equal force to all manufacturers, merchants, shopkeepers, farmers, and other employers of labour. They, however, are no less applicable to their employees, workers for salaries or wages. As an example, boot-operatives may be selected. The community wants each year a certain but varying quantity of boots. Therefore a certain number of employers set up boot-factories and want a certain number of operatives to assist them in making boots. They offer a certain wage to attract these operatives. Three cases are possible under natural conditions. If the wages offered are lower than those ruling in other industries requiring similar skill, the number of operatives attracted to the boot-factories will certainly be insufficient to supply all the boots required. If equal wages are offered, the number may still fall short of requirements. Higher wages will attract a sufficient number.

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As long as the number of operatives is less than, or just equal to, the requirements of the market, there will be produced less than a sufficient or just a sufficient quantity of boots, and the competition of buyers for boots will be greater or equal to the competition of boot-sellers with each other. In the former case prices will rise, factories will be enlarged or increased in number, more operatives will be required, and wages will rise. In the other case prices will be stationary, and so will be the demand for and the wages of boot-operatives. The only competition which in both these eventualities can exist among boot-operatives is, as to which of them shall render greater services and earn higher wages than others, but none of them need go without wages in the boot-trade. Competition merely assures the result that reward shall be commensurate with services rendered.

Suppose, however, that either through a miscalculation as to the number of boot-operatives required, or through the introduction of labour-saving apparatus, the number of the former exceeds the requirements of the community. In that case some operatives will be compelled to leave the boot-trade and to enter upon some other occupation. Who shall these be, the best or the worst bootmakers? The interest of the community manifestly requires that it shall be the worst, those least fitted to make boots. Competition again ensures this beneficent result. The worst operatives will be unable to obtain further employment as bootmakers, and will, therefore, be compelled to render some other service which the community wants and for which they are better fitted than for bootmaking.

So far the examination of competition has not revealed any evil results. This examination has, however, been made under the assumption of a condition which does not exist in the real life of to-day, viz. that all those who are in excess of the number required in any trade or profession will be able to find employment in some other occupation for which they are better fitted. This they undoubtedly could do, provided there were not enough labourers in some other occupations. When, however, this condition is absent, when the demand for labour generally falls short

of the number of men seeking employment, some men will be unable to find employment anywhere, and the conditions under which competition proceeds are thereby profoundly altered. Observe, however, that it is not competition which has caused this scarcity of employment, but that, on the contrary, it is this scarcity of employment which produces the alteration in the character of competition which now must be investigated.

So far competition has been seen to produce these results :—

(a) To assure to the community the best services in the satisfaction of its wants with the least sacrifice on its part.

(b) To secure to every worker a reward commensurate with the value which the community places on his services.

(c) To weed out of every trade and profession the men whose services therein are superfluous and least valuable, and to transfer them to occupations where their services are more valuable to the community.

If, however, no other occupation is open to the men so weeded out, all this will be profoundly altered. For in that case, instead of leaving the trade in which they are superfluous, these men are compelled to underbid labourers better fitted for the work than themselves. If, for instance, the best worker in a trade is worth 10s. a day, and the worst worker actually employed 8s. a day, employers will generally prefer the 10s. man, if these wages are insisted upon. If, however, some unemployed man, nearly equal in efficiency to the worst man actually employed, offers to work for 6s. a day, the wages of these other labourers must fall to, at the highest, 6s. 6d. and 8s. 6d. respectively, or the inferior labourer will be the cheapest worker. This competition of workers who under existing conditions cannot be employed, now reduces the wages of all workers. But inasmuch as the employment of labour is principally determined by the consumption of that vast majority which labours for wages, it follows, that every reduction in wages, reducing consumptive power, must still further reduce the opportunities for the employment of labour. Competition has

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now ceased to be beneficial ; it now is a scourge which flays the backs of the vast majority of mankind, and which, unless it were counteracted by other tendencies, would speedily reduce them to a state of abject poverty.

Yet, to regard this result as a cause ; to saddle competition with the consequences which flow from scarcity of employment ; to demand the abolition of competition instead of demanding the abolition of the causes which, by creating scarcity of employment, distort the action of competition, is a manifest absurdity.

State-created monopoly, which has been shown to be the cause of low wages and of consequent scarcity of employment, is the dam which has been erected across the stream of industry, the waters of which, directed by the force of competition, would otherwise bring fulness and plenty everywhere.

To rail at the failure of the distributive machinery to fulfil its purpose, when that failure, unjust distribution, is obviously due to interference with this machinery, is pure childishness ; more childish still is it to prescribe further interference as a remedy for the evils arising from existing interferences. Abolish the dam of State interference with men's equal rights, the special privileges accorded to some, and competition, restored to its normal condition, will distribute the fruits of industry to the door of every one who takes part in it in proportion with the services which he renders, and will raise the reward of each to the highest point which the existing skill, knowledge, and industry of mankind makes possible.