Much animosity toward capitalism among academic critics can be accounted for by a distaste for competition. The critics just don’t like it. It seems so rough, so uncaring, so vulgar. And laboring under the misapprehension that its opposite is cooperation, they endorse the latter in righteous tones while condemning competition as the “law of the jungle.”

On first sight, this is plausible. As most people think of it, competition has winners and losers; cooperation has only winners. Competition sounds cold and antagonistic. Cooperation sounds warm and nice. Children are exhorted to cooperate, not to compete.

But this way of thinking is full of fallacies. For human beings competition is not the negation of cooperation but a form of it. We know this because when competition is forcibly suppressed, cooperation breaks down and something like the real law of the jungle takes its place.

The idea that capitalist society lacks cooperation is ludicrous. “Society is concerted action, cooperation,” wrote Ludwig von Mises in *Human Action*. “[S]ociety is nothing but the combination of individuals for cooperative effort.” To imagine a society without widespread cooperation is to imagine a square circle. It can’t be done.

The marketplace, with its specialization and division of labor, is the epitome of cooperation. One person makes shoes; another makes clothes. Then they exchange their products. What could be more cooperative? Pre-industrial societies were less cooperative in the sense that the circles of trust were small. With modern capitalism, they extend to distant and perfect strangers. Indeed, cooperation is global—something that many critics of capitalism, oddly, do not like.

What is the relationship between competition and cooperation? Competition is what arises when people are free to choose with whom to cooperate. Sam wants shoes. Manny, Moe, and Jack sell shoes. Each wants to cooperate with Sam. So each strives to win his patronage by offering higher quality, lower prices, a better selection, or some combination of these. That the sellers expect to gain from the cooperation is no valid objection. Parties to cooperative efforts always expect to gain somehow.

Manny, Moe, and Jack could cooperate to sell shoes together, and under some circumstances they may do so. But capitalism’s critics would object to that also. Apparently only cooperation thought up by academics and forcibly imposed by politicians is appropriate.

Thus freedom plus cooperation equals competition. Those who would banish competition would also have to banish free cooperation. All that would be left would be forced cooperation, with the state dictating the terms. Compulsory cooperation is what went on in the gulag and concentration camp. In fact, there’s nothing cooperative about it at all. It’s just compulsion.

This is not to say that there is no downside to competition. If enough shoe buyers...
patronize Manny and Moe, Jack may go out of business. His dream of owning a shoe store may be dashed, and he might have to go to work for someone else or find some other occupation. We can sympathize with him, while realizing that to prevent such sad events the state would have to restrict the freedom of shoe buyers. Of course, the restrictions would go well beyond that. If the government is to prohibit competition throughout the economy, it must ultimately own and control all resources. But we know from writings of Ludwig von Mises and F. A. Hayek that this is the path to disaster. Without private ownership and trade in the means of production—that is, competition—there can be no true money prices for resources. And without prices there can be no way to calculate the best strategies for satisfying consumers at the lowest cost.

Economic competition is often erroneously compared to what goes on among wild animals. The terms “dog eat dog” and “survival of the fittest” are thrown around with little consideration of what they mean. In the wilderness animals compete in consumption. Since they do not engage in production, they have to make do with what the environment grants. With demand usually exceeding supply, competition in consumption brings about the unpleasantness we associate with wild animals.

People Are Different

What goes on among people is far different. Human beings produce as well as consume. What’s more, we discovered early on that specialization, the division of labor, and trade make each individual far better off than he would be in isolation. While resources are always scarce at any moment, the productive process progressively reduces scarcity. Billions of people are wealthier today than one billion were around 1800.

In a modern market economy we don’t normally rush to the supermarket hoping to get there before all the milk is gone. We are confident that there will be milk and other goods on the shelves all the time. (This was not true in the Soviet economy.)

In other words, the competition that goes on in the marketplace is not, for the most part, competition in consumption, but rather competition in production. Or, to be more precise, we compete to consume by competing to produce. Instead of vying for a piece of meat before someone else gets it, we vie to produce better food or clothing or DVD players for others before someone else does. Success enables us then to purchase the goods we want. In contrast, when the state prohibits competition in production, competition in consumption is inevitable. Anti-capitalism ushers in the law of the jungle.

As Mises wrote and contrary to intuition, the cooperation of the marketplace abolishes the law of the jungle. If many animals need the same food, a bloody competition results. But the demand by all people for clothing, food, and shelter brings those products within easier reach of everyone, as specialization and the division of labor lower the cost of production and expand supply. The competition and cooperation in the marketplace are truly humane.

Mises takes this argument a step further. It has been suggested that fellow feeling among people led to economic cooperation and rising living standards. Mises says it worked the other way around. The realization that trade makes us better off encouraged economic cooperation. This in turn permitted the emergence of “feelings of sympathy and friendship.” Cause and effect could not have been reversed. If we were competitors in consumption, “Each man would have been forced to view all other men as his enemies; his craving for the satisfaction of his own appetites would have brought him into an implacable conflict with his neighbors. No sympathy could possibly develop under such a state of affairs.”

Thus in more ways than one, capitalism makes us all richer.