

## COMPETITION

‘Competition’ is one of the most important words in the neoliberal lexicon. Along with the popularisation of its derivative, ‘competitiveness’, the concept is now commonly invoked not only as a generic solution to multiple problems in the management of capitalism but, more profoundly, as a kind of governing ethic for all individuals and organisations. Within the tradition of political economy, debates surrounding the meaning of commercial competition and how it should be organised have a long history. For a classical political economist such as Adam Smith, competition arose organically from the dynamic rivalry between buyers or sellers in markets, resulting in price definition, patterns of resource allocation, divisions of labour and consequences for wider development (Vickers 1995). In Smith’s view, monopolies and bounties were the ‘great enemy of good management’ because such instruments interfered in the ‘natural price, or the price of free competition’ (Smith 1993[1776]: 148, 60). By the nineteenth century, competition had been reimagined in light of the mathematical revolution in economics, resulting in the influential model of ‘perfect competition’ (Cournot 1897[1838]; Edgeworth 1881; Jevons 1882). This latter meaning, unlike Smith’s appeal to behavioural traits, was framed as an idealised conception whereby processes of competition had exhausted their limits (McNulty 1967). In other words, ‘perfect competition’ rarely, if at all, exists in the real world, but the model has historically been justified as offering a comparative analytical function. At the same time, by the twentieth century, this appeal to mathematical formalism helped to bolster the legitimisation of the discipline, in the process fulfilling John Stuart Mill’s call that ‘only through the principle of competition has political economy any pretension to the character of a science’ (Mill 2008[1864]: 50).

Starting in the 1930s, within a group of intellectuals who came to be associated with the early ‘neoliberal thought collective’ (Mirowski and Plehwe 2009), the concept of competition was re-examined, largely in opposition to the theory of perfect competition. For Friedrich von Hayek and Ludwig von Mises, two of the most significant voices in these debates, competition, theorised from the viewpoint of equilibrium, included false or unrealistic assumptions, such as the idea that all markets featured zero barriers to entry. In contrast, Hayek, in an echo of Smith, pioneered the argument that competition should be understood as a combative process of ‘discovery’, with a particular emphasis on entrepreneurship in producing such competition (Hayek 1948, 2002; see also Mises 1949). Even if other economists resisted the marginalisation of the perfect competition model, Hayek’s depiction of

competition was much closer to how business actors actually experienced the world of commerce (Kirzner 2000). The ability of Hayek and his contemporaries to provide a more practical conceptualisation of competition, valorised as a way of enhancing market freedoms, would eventually find a receptive audience in management theory and mainstream economics. But in the immediate postwar context, when it came to translating such ideas into political action, Hayek's meaning of competition 'offered a policy alternative to *both* planning (whether of the socialist, National Socialist or Keynesian variety) *and* traditional liberalism [in the Victorian sense]' (Davies (2014: 40, italics in original). In other words, Hayek did not renounce the state but, rather, wanted to use the authority of the state to define a particular vision of political economy, one in which the calculating spirit of competition was not restricted to the business sphere but extended into other social worlds.

As Davies (2014) suggests, competition is a difficult concept to understand within neoliberalism because the promotion of the idea generates notable paradoxes. First, it appears to offer a role for government that is both active and passive. For instance, the development of competition law from the late nineteenth century, encouraged by the need to break up massive conglomerates and cartels, such as Standard Oil, signalled to early neoliberal thinkers that government should always have a place in policing competition for the greater good. In this sense, antitrust law is 'a strange case of the state acting to *prevent* the outbreak of economic peace' (Davies 2014: 41–2, italics in original). However, the subsequent balancing act, visible today in countless concerns over policy regulation, repeats the primary question: how far should such state interventions go in the name of competition (Gerber 2005, 2010)? Second, this recognition that market competition has to be legislated and planned leads to another paradox, this time focused on (in)equality. According to one common ideological feature in capitalism, all market participants should be treated as formally equal at the start of competitive contests: that is, in a fundamental sense, they are free individuals within a mutually recognised price system. Yet competition can only exist if participants avoid collusion. Thus, even when monitored by a third party to instil a degree of formal fairness, the actual outcome of market competition often results in inequalities. Indeed, the pursuit of inequality – the triumph of one consumer product over another, one standard over another, one firm over another, etc. – is often celebrated in commercial life. In sum, within the neoliberal period, 'inequality *is* "legitimate" because it is publicly and enthusiastically legitimated' (Davies 2014: 37, italics in original).

Such core and seemingly intrinsic tensions surrounding how competition should be represented and orchestrated have the potential to

alter our view of ‘competitiveness’. Until the middle of the twentieth century, ‘competitiveness’ was an uncommon expression (for instance, in the *Financial Times*, prior to 1962, there were no references to the word). From the 1960s, however, the word began to attract users in the US, mainly among corporate officials, management experts and popular commentators, but also within political elites sensitive to America’s relative position in the capitalist order (notably in relation to Japan and Germany, followed by South Korea and Taiwan). The emergence of a related literature on ‘business strategy’ was important in augmenting the commonsensical appeal of competitiveness. ‘Strategy’ has always carried a potent ring for many listeners; its historical use, strongly tied to military and state bureaucracies, seemed to reflect a sense of rational calculation and potential control (Freedman 2013). It is perhaps not surprising that management authors would appropriate and deploy such a notion in the service of agendas linked to competitiveness. Thus, writers such as Alfred Chandler (1962) and Igor Ansoff (1965) helped to popularise the idea that managers should take a long-term vision in co-ordinating their enterprises. According to these experts, acquiring a competitive edge in markets was won not only through examining supply and demand forces in the wider economy, but also through observing rival corporations and other societal actors who could enable or disable competition (Davies 2014). Through such thinking, a related cultural effect was also spawned, one that continues to flourish today: the glorification of the CEO and management guru as a military-like leader or media-savvy celebrity.

This cultural tendency can be illustrated by noting perhaps the best-known authority on business strategy, a figure who has strongly promoted the theme of competitiveness across different institutional spaces: Michael Porter of Harvard Business School. Beginning with his ‘five forces’ model inspired by industrial economics (1979), Porter’s major breakthrough came with the publication of *Competitive Strategy* (1980), followed by the equally influential *Competitive Advantage* (1985). Although not coined by Porter himself, the phrase ‘competitive advantage’ has now become ubiquitous in business speak, generating a considerable ‘Porter industry’ of secondary literature (Matthews 2013). In Porter’s view, a successful, firm-level competitive strategy was founded upon performing activities different from rivals or performing similar activities in different ways. Such strategies were engineered either through cost-related advantages or product-related differences. By the end of the 1980s, in a period when US business and political elites felt under renewed threat from Japan, Porter’s ability to offer digestible and concrete illustrations of success, accompanied as it was by a

nationalistic rallying cry of ‘competitiveness’, found a highly receptive audience. The validation of his approach was further cemented when he was appointed by President Reagan to the Commission on Industrial Competitiveness. In essence, Porter’s pivotal contribution, in terms of wider influence, centred on how he offered ‘a template through which policymakers and politicians could develop quasi-business strategies for entire nations, as well as cities, regions and neighbourhoods’ (Davies 2014: 124; see also Porter 1990). Competitiveness was no mere buzzword at this point but was being normatively endorsed as ‘the watchword for a systematic national effort to establish a new competitive culture’ (Herzstein and Esty 1987).

But when the managerial logic of competitiveness is introduced into the sphere of territorial government, it brings into focus the analytical problem of what precisely is to be compared and, in turn, ultimately prized. Here, the proliferation of studies on competitiveness under the auspices of the World Economic Forum (WEF) provides a pertinent illustration of wider trends in neoliberal governmentality (Fougner 2006, 2008). Launched in 1979, under the WEF’s forerunner, the European Management Forum, the production of such knowledge does not simply explain how the logic of competitiveness is reflected in different institutional settings around the world. Rather, with its ever expanding network of ‘competitiveness experts’ (which has always included a central place for Porter), the WEF is actively creating a new reality, one with methodologies, norms and expectations of what makes for ‘correct’ government behaviour. Over the past four decades, this research labour has been accumulated through reports, conferences and consultations. Such outputs tend to carry an apparent seal of authenticity, partly through involving other academics, such as the economist Xavier Sala-i-Martin, a major growth theorist, but also through mimicking neoliberal appeals to statistical rankings and benchmarks. In the *Global Competitiveness Report 2014–2015*, the WEF’s flagship publication, competitiveness is defined as ‘the set of institutions, policies, and factors that determine the level of productivity of a country’ (WEF 2014: 4). This definition sits on top of twelve ‘pillars of competitiveness’, areas of concern that conceptualise the entire nation – its government agencies, businesses, civil society, education and health, infrastructure, etc. – as all orientated towards the same goal: economic productivity through a league table. Thus, from 2009 to 2015, Switzerland has ranked as the most competitive country on the planet, praised for its ‘excellent infrastructure’, ‘strong cooperation between the academic and business worlds’ and a labour market which ‘balances employee protection with flexibility and the country’s business needs’ (WEF 2014: 12).

Three critical points can be offered by way of conclusion. First, similar to the trajectories taken by other neoliberal concepts, competition and, in particular, the embracing narrative of competitiveness, is now embedded in numerous organisations beyond business. In this way, the managerial calculus of control – rooted in a capitalist desire of unending, rivalrous struggle for profit – becomes a general template for individual and organisational comportment. Translating this sense of competitiveness into milieus that have historically kept a distance from capitalist processes, such as social agencies of the state and universities, has not been effected without resistance (Collini 2012). Yet the fear of falling down the latest ranking, under the watchful gaze of customers, authorities and opponents, often serves as a powerful mechanism of surveillance. Second, as noted, the promotion of competition ensures, by definition, winners and losers. But because such jockeying for competitive positions is partly mediated by the state, international institutions and other expert ‘disinterested’ bodies, the economic and social inequality that is produced tends to be accepted and validated as ‘normal’, rather than a problem with complex roots to be interrogated. Third, the competitiveness ethic has also been responsible for negative social and psychological conditions. For instance, in the hyper-competitive banking industry, where recruits seek status and fortune, churn rates are very high, along with patterns of addiction (alcohol, drugs) and feelings of control loss (Roose 2014). As in football, deriving one’s identity from league-table position seems, in some contexts, to bring little joy for any supporter. If one’s team is near the bottom, fear of relegation grows. In mid table, only mediocrity lies. But even if one is at the top, questions quickly surface over how considerable the lead is and how long it will last. The competitive player, in football or otherwise, never seems to be at rest – precisely what a capitalist system demands.

*See also:* **business, capitalism, choice, enterprise, entrepreneurship, flexibility, management, market, performance, responsibility, state, trade.**

*Further reading:* Davies 2014; Fougner 2006; Hayek 2002; Porter 1990.

## CONSENSUS

For such an apparently mild word, one that is etymologically rooted in the Latin joining of *con* (together) with *sentire* (to feel), ‘consensus’ can invite strong reactions. As with other neoliberal keywords, it is worth distinguishing between two major uses: consensus as a concept in popular debates, and consensus as an analytical tool when used by academics to define some framework or common sense. Since the mid twentieth