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Emporiophobia (Fear of Markets): Cooperation or Competition?

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Introduction

This talk is about words, not about economics. It is about three words. One is a new word, "emporiophobia," meaning fear of markets. The other two words are "competition" and "cooperation," terms intimately familiar to economists. My claim is that the way we use the terms competition and cooperation leads to emporiophobia. You won't learn any new economics from this talk, but I hope you will rethink the way you talk about economics.

As a young person, I was quite leftist, and even socialist, as was consistent with my demographic (Friedman, 1972/1988). As I began studying economics and markets, these beliefs began to change. My graduate training at Purdue was more in mathematics than in the actual functioning of markets. However, at one point, I read *Capitalism and Freedom* (Friedman, 1962) and *University Economics* (Alchian and Allen, 1964.) While in graduate school I learned something about the functioning of government by spending a summer working for the U.S. government in Washington, at the Small Business Administration.[3] These events led to my conversion to a hard core believer in markets. Like many converts, I began to ask how I could have held such beliefs which I then viewed (and still view) as false. Much of my professional career has been devoted to research trying to answer this question. Today I plan to summarize and extend some of that research. The fundamental question I am addressing is this: The market economy has provided incredible wealth to societies, and to everyone in those societies. Compared to pre-market or non-market economies, real incomes are higher, consumption possibilities are vastly greater, life expectancy is greatly increased, health is much better. And yet many dislike and fear markets and market economies. Why do people have this attitude?

More importantly, I will offer a policy suggestion for reducing the fear of markets among non-economists (and even some economists.) Moreover, unlike most policy recommendations

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[1] From the Greek emporion, a trading market, and phobia, fear. Emporion is the basis for our word "Emporium." Thanks to Niall Slater of the Emory Classics Department for suggesting this word for "fear of markets."

[2] Thanks to Bryan Caplan, Monica Capra, Daniel Levy Hugo Mialon, David Rose and William Shughart for helpful comments and to Eliska Ohler for very able research assistance.

[3] This experience ultimately led to my paper on franchising (Rubin, 1978), so there were two benefits from the summer.

by economists, this is a suggestion for us as economists, rather than from us to politicians or other policy makers who can easily ignore our suggestions. Basically, I suggest that we economists should emphasize the cooperative rather than the competitive nature of markets in our teaching and textbooks and policy writings (blogs, op-eds). Cooperation is the heart of economics; competition is a tool for obtaining better cooperation. If we can get this message across to our students and readers, we may be able to reduce the fear of markets.

Emporiophobia: Existence and Significance

The evidence that many people reject markets is all around us. I will not provide detailed citations to the literature showing the difference between economists and others on issues. For anyone seeking such evidence, a good starting place is Bryan Caplan's wonderful book, *The Myth of the Rational Voter* (Caplan, 2007). Caplan identifies four systematic areas where the public disagrees with economists. The first and most important for my perspective is "antimarket bias," which is equivalent to emporiophobia. Caplan provides a wealth of evidence that the public is much more anti-market than professional economists. (For a more recent discussion, see Sapienza and Zingales, 2013. For discussions of the depiction of business and markets in the movies demonstrating emporiophobia, see Ribstein, 2012 and Shugan, 2006. Groseclose, 2011, discusses the anti-market bias of the media. Friedman 1972/1988 discusses the anti-capitalist bias of Jews, and Sowell, 2011, makes the same point about intellectuals.)

Moreover, dislike of markets is not only widespread, but is also economically significant as well. The statute books are full of laws limiting or restricting markets (minimum wages, farm price supports, occupational licensing laws, tariffs, numerous entry restrictions, anti-gouging regulations following disasters). Washington is packed with regulatory agencies whose purpose is to limit the functioning of markets. (I myself worked for two such agencies, the Federal Trade Commission, in the "consumer protection" area, and the Consumer Product Safety Commission.) My work in public choice with Jim Kau (Kau and Rubin, 1979, Kau, Keenan and Rubin 1982) was originally aimed at understanding the basis for emporiophobia. However, this work showed that ideology, including anti-market bias, was an important force in driving political outcomes, and Poole and Rosenthal (1997) have greatly extended that work. Caplan (2007) also presents much evidence on this point. It is also discussed in Clark and Lee (2011.)

Competition and Cooperation

Basically, notions of competition or cooperation are metaphors. Both cooperation and competition are used metaphorically in economics. Both Stigler (1957) and McCloskey (1998) point out that "competition" as used in economics is a metaphor from the world of sports, so that the term itself is based on zero sum thinking. Economic agents engage in certain economic activities which economists characterize as maximizing utility. These actions are mostly buying and selling. We may characterize these activities as "competition" or "cooperation" but those are metaphoric labels imposed on economic activities by outside observers. From the viewpoint of the agent himself, economic activities are simply aimed at maximizing utility. Competition occurs in situations where the purpose of an activity is to defeat a rival. Elections and other political activities are competitive; there can be only one winner of an election or one king at a time, although parties also form coalitions and cooperate in politics. Sports are specifically competitive; the entire purpose of the activity is to determine the winner. On the other hand, people engage in economic activities in order to maximize utility, and winning or losing (for example, having the largest market share, or the largest profit, or the highest income) is incidental to the actual goal, although some may gain utility from having the largest market share. Then characterizing behavior as competitive is metaphoric, and is not in general the best metaphor. "Competition" is a metaphor borrowed from sports, and it is not an appropriate metaphor for the economy.

The most fundamental economic act is the transaction.[4] This may be a barter transaction (beaver for deer), a simple consumer purchase from a grocery store, or a sophisticated merger involving lawyers and other parties (including economists), but in each case the act is a transaction. Moreover, as economists we know that all parties expect to benefit from a transaction, else it would not occur. Thus, a transaction is a cooperative act – an act benefitting all who voluntarily participate in it. The essence of economics is cooperation through transactions and markets. Of course, people entering into transactions may not consider these as being cooperative, but the ability of markets to generate, facilitate and organize unintentional cooperation is the fundamental insight of economics.

[4] While my purpose is different, this is consistent with Buchanan's (1964) view of economics.

But while we as economists know this, we hide it. I have examined a large sample of introductory economist textbooks;[5] see Table 1. Most of them pay little attention to "cooperation." Indeed, it is worse. In many textbooks the major discussion of cooperation is negative: it is firms cooperating to collude against consumers. On the other hand, every textbook has a large number of mentions of competition and its variants. Overall, there are 8 times as many mentions of competition as cooperation, and for some textbooks the ratio is as high as 20 to 1. Moreover, in economists' professional writing competition is mentioned much more than cooperation. In EconLit, there are about 48,000 mentions of competition and about half as many, 24,000, mentions of cooperation. Nonetheless, the ratio of mentions of competition to cooperation is actually higher in textbooks (8 to 1) than in professional writing (2 to 1.) To students learning from these textbooks, it is easy to lose sight of the basic cooperative nature of the economy.

I have also examined the Microeconomics portion of the Test of Understanding in College Economics (Council for Economic Education, 2007). There are 30 questions in this standard exam. None of these questions address the cooperative nature of an economy or of markets. Only four questions deal with the efficiency of markets. Question 6 discusses external economies from vaccinations and question 15 asks about external diseconomies from highway congestion. Question 17 discusses the inefficiency of monopolies and question 21 discusses the inefficiency of oligopolies and monopolistic competition. There are no questions addressing the efficiency of competitive markets.

Note that I am not claiming that economic actors are particularly cooperative. There is an old caricature of the "economic man," the rational selfish maximizing person. Behavioral economics has shown that this caricature does not fit actual humans. But for my purposes, we can maintain the assumption of the economic man. Rational selfish people will still be highly cooperative because this is the way to maximize one's own utility. I don't need anyu sort of new age unselfish cooperators for my ponts to go through.

[5] Basically, the books searchable on Amazon, which includes many leading textbooks.

Name, Title, Bibliographic Information	Cooperation & Related	Competition & Related	ratio
Mankiw, N. Gregory. 2008. *Principles of Microeconomics*. Cincinnati, OH: South-Western College Pub.	29	158	5.45
Krugman, Paul and Robin Wells. 2010. *Microeconomics*. New York, NY: Worth Publishers.	11	49	4.45
McEachern, William A. 2010. *Microeconomics: A Contemporary Introduction*. Cincinnati, OH: South-Western College Pub.	27	172	6.37
Frank, Robert H. and Ben S. Bernanke. 2008. *Principles of Microeconomics*. New York, NY: McGraw Hill.	7	143	20.43
Walker, Doug. 2011. *Introductory Microeconomics*. CreateSpace Independent Publishing Platform.	1	10	10
Colander, David C. 2011. *Microeconomics*. New York, NY: McGraw Hill.	14	199	14.21
Nicholson, Walter and Christopher M. Snyder. 2011. *Microeconomic Theory: Basic Principles and Extensions*. Cincinnati, OH: South-Western College Pub.	21	229	10.9
Gwartney, James D., Richard L. Stroup, Russell S. Sobel and David A. Macpherson. 2010. *Microeconomics: Private and Public Choice*. Cincinnati, OH: South-Western College Pub.	20	134	6.7
Cowen, Tyler and Alex Tabarrok. 2009. Modern principles: Microeconomics. New York, NY: Worth Publishers.	18	144	8

Competition

The emphasis on competition has been important in economics since 1871 (Stigler, 1957). But while it is old and traditional, and universal, there are several senses in which the emphasis on competition is odd. First, there is no economic act that is itself competitive. Second, the prototypical economy, the "purely competitive" economy involves no competition. Third, in other market structures acts may sometimes be viewed as competitive, but not always. Fourth, principles of cooperation (through specialization and division of labor) are at least as important to economists as competition. Fifth, competition is a tool, not the end purpose of the economy. Sixth, competition is ubiquitous in human interactions, and so competition is not a way of distinguishing market economies from other economies. Consider each point.

In their economic lives, people produce goods and services and exchange these goods and services for others. Both the production of goods and the exchange of goods for other goods are cooperative acts. There is no competition in these actions. The motive for some acts may be competitive, but the actions themselves are cooperative. Consider the most heinous economic act, predation for the purpose of obtaining a monopoly. (Forget for now that this behavior is rare or nonexistent; assume that it actually exists.) What does a predator actually do? He produces goods (a cooperative act) and sells them for below cost prices, or purchases goods at above market prices in order to deny them to a competitor. But the sale or purchase of goods are also cooperative acts. The purpose may be nefarious (to bankrupt a competitor) but the act itself, a sale or purchase, is cooperative. An outside observer cannot tell this from a normal transaction. (Courts also have difficulty in making this determination, even though they have access to lots of information, often provided by economists.) Unless an agent is willing to engage in illegal actions (for example, burning a competitor's factory) or willing to go outside the market (e.g., complaining to the FTC about a competitor), any competitive act is actually performed through cooperative behavior.

Second, it is a truism that in the "purely competitive" model there is no competition. Many have stated this; see, for example, Buchanan, (1964), citing Frank Knight. In this model all sellers take price as given and none pays any attention to behavior of others. This is the fundamental canonical model of competition in an economy, and there is no competition here. Again, there is cooperation through buying and selling.

Third, in monopoly, there is again no competition. There may be competition to become the monopolist, but this is either competition through being a better cooperator or political competition, for example, by lobbying for exclusive licenses. In Cournot competition, firms decide how much to sell to buyers – again, a cooperative act. In Bertrand competition, firms decide the price at which to sell. Again, motives may be competitive but the actions themselves are cooperative.

Fourth, Adam Smith is the father of competitive analysis. But he is also the father of cooperative analysis. Specialization is the mother of cooperation. The pin factory is a masterful analysis of cooperation. Somehow we economists have made the competitive analysis in Smith the basis for our discipline, and made cooperation into something of a stepchild. In EconLit, there are only about 4700 mentions of specialization.

Fifth, competition itself is not the purpose or goal of an economy. The purpose of an economy is to generate consumer surplus, which occurs through cooperative acts such as transactions and exchanges. Competition is a powerful tool for improving the functioning of transactions by making sure that in each case the transactors are the best possible partners and that transactions take place on the best possible terms. That is the purpose of competition. In other words, the competition that occurs in an economy is competition for the right to cooperate.

The gain comes from the cooperation, not from the competition. Of course, competition is essential as it leads to the optimum terms for cooperation, and selects the best parties to cooperate, but nonetheless competition is a tool whose function is to facilitate cooperation. Society is willing to tolerate markets because of their cooperative benefits, not because they are competitive.

Finally, economic competition is sometimes compared to biological or Darwinian competition. But the point of Darwinian analysis is that humans (and other living creatures) are continually engaged in an implicit competitive race for success, called "fitness" by the biologists. Evolution is driven by competition. Such competition occurs among all humans all the time. In a market economy, success is measured by wealth, and wealth is accumulated by successful cooperation with trading partners. Economies based on custom also have competition. For example, more successful hunters in a hunter-gather economy reap benefits, including access to women. In an exploitive economy success may be measured by successfully exploiting the population and rising through the oppressive hierarchy. This is much more "competitive" than the path to success in a market economy. The unique feature of an economy organized through markets is that the competition which exists is competition for the right to cooperate; but it is the cooperation which is the defining feature of the market economy.

Cooperation

As mentioned above, a market transaction is the fundamental economic unit, and a transaction is cooperative. But the role of cooperation does not stop there. Markets create huge waves of cooperation. Through the market, each of us cooperates with millions of people throughout the world, few of whom we will ever meet. We also cooperate with people who lived in the past, and with people who are not yet born. Through market transactions, millions of people in widely separated geographic locations are able to cooperate. Indeed, even people who live at different times can cooperate. Every time someone invests in some activity that will outlast the person's life, he is cooperating with humans not yet born. Conversely, every time an agent benefits from some past investment, he is cooperating with people now dead. Thus, the market transcends time and space and allows almost all humans to cooperate with each other. The market is by far the most important engine of cooperation known to mankind.

Consider all of the agents (A,…,Z) in an economy, and consider one particular agent X. X may be in some business in which there are other agents (Y, Z…) as well. Then these other agents may be competitors of X. Depending on market structure X may view them as competitors, or he may ignore them (as in "pure competition.") But in any event, of all the millions of agents in the economy, X competes with only a small subset.

What about all of the other agents in the economy? Some agents (A,B,…) purchase the product that X makes, or purchase X's labor directly. These agents may then use the product as an input for their own products, so X may be linked to a very large number of agents as a direct or indirect supplier of some input. X also purchases products and services directly from many agents (M,N,…) and these agents themselves are linked to many others through indirect purchases. Buying and selling interactions are fundamentally cooperative relationships. Thus, of all the millions of economic agents in an economy any one agent is in a competitive relationship with a very small number and in a direct or indirect cooperative relationship with a very large number of others, most of whom X will never meet or even know of. Cooperative economic relationships are much more common and more important than competitive relationships. X may observe and respond to the behavior of competitors because these may impact his returns, but he is also concerned with customers and suppliers because the terms on which he buys and sells also effect his returns.

Moreover, consider the competitive relationships which do exist. For what are agents competing? Basically, agents are competing for the right to cooperate with sellers (or buyers). That is, in the normal case, X,Y and Z are competing with each other to be able to sell products to A, B, and C and perhaps to buy inputs from M,N as well. The purpose of competition is not to harm competitors (although that will sometimes be a useful strategy.) Rather, the successful competitor is the agent who can cooperate with more other agents, generally by selling products to more buyers or buying inputs from more suppliers.

For example, consider yourself as an economist. You compete with other economists. When first in the job market, you may be competing with perhaps 25-50 of your peers for positions. As careers become more specialized, the number of economists with whom you directly compete becomes smaller. You compete with other economists for space in journals. A few economists may compete for academic honors, such as the Clark award or the Nobel Prize.

But in all these instances you are competing on the basis of your ability to cooperate. In competing for jobs, you are trying to convince potential employers that you can cooperate with students in your teaching, and that you will be able to cooperate with journals by getting your papers published, and with your colleagues in producing research and teaching. In competing for publication space, you are trying to convince editors that other scholars will find cooperation with you through citations more effective than cooperation with other authors. In competing for awards, again it is on the basis of how successful you have been in inducing others to cooperate with you, perhaps by citing your articles.

Indeed, your overwhelming interaction with economists is cooperative. You would have nothing to teach if it were not for the work of innumerable scholars beginning with Adam Smith (who himself cooperated with moral philosophers going back to the Greeks) who have created the body of research that is the basis for our teaching. You could not do research without this body of work. Citations, increasingly the measure of our scholarly worth, are a measure of the cooperativeness of scholars. Moreover, when we leave the world of economists, the amount of cooperation increases without bound – we cooperate with universities, with those who fund universities, with publishers, with computer makers, with students who are our customers, with policy makers, with food providers… We live in a world of cooperation. The economy is composed of islands of competition floating in this ocean of unconscious cooperation like lumps of butter coagulating in a pail of buttermilk,[6] and we could ask why economists have focused on the islands and ignored the sea.

Confusion

By continually referring to competition and ignoring cooperation, economists have committed a fundamental semantic error. This error has important implications for the way the economy is viewed by non-economists. For most economically naïve people, which means most people, economic competition has basically negative connotations. (In other contexts, such as sports, competition is valued.) Competition is a win-lose event. Cooperation is a win-win situation. If there is competition then there will be winners, but there also will be losers. From this perception, it is natural for people to observe those who are unsuccessful (e.g., the poor, the

[6] This metaphor is of course taken from D. H. Robertson (1923), made famous by Coase (1935), referring to firms as "islands of conscious power in this ocean of unconscious cooperation like lumps of butter coagulating in a pail of buttermilk."

homeless, failed businesses) and assume that these people are the losers from economic competition, and that their unfortunate position was caused by competition.

Calvin and Hobbes by Bill Waterson

Another way of characterizing the difference between competition and cooperation is that competition is perceived as zero-sum, while cooperation is positive sum. In a competitive environment some win by defeating others, as in a poker game or a race, both zero-sum events. Perhaps for reasons associated with our evolutionary past, humans are naturally subject to zero-sum thinking, and many fallacies in interpreting economics can be attributed to this type of thinking (Rubin, 2002, 2003). Viewing economic activities through the lens of competition only reinforces this sort of thinking. Combining zero sum thinking with competitive thinking leads to some common misconceptions. For some examples:

Zero sum thinking leads to a belief that increased imports cause unemployment, because the number of total jobs is fixed. If we couple this with competitive thinking, then we see the origin of the perception that international trade is a contest, and the basis for military metaphors ("trade wars") in discussing international commerce. Zero sum thinking leads voters to misunderstand the nature of taxation. Taxation is viewed as redistributing a fixed sum between various sorts of taxpayers. If we add competitive thinking, then we get stories of "winners" and "losers" in tax reform, as if tax reform is a contest or a zero sum game. Industrial organization and antitrust issues are easy to see. If the size of an industry if fixed (zero sum) and if firms compete with each other, then a desire to punish winners (who may have cheated by using predatory methods, another implication of zero sum thinking) by strict enforcement of antitrust laws and punishing size rather than behavior is understandable.

But a cooperative environment is positive sum, and everyone can win. Voluntary market transactions are the essence of win-win positive sum cooperative behaviors. Both parties to a transaction must expect to gain, or the transaction will not occur. But this perception is lost if we characterize economic interactions as competitive.

Models of "pure competition" as used in economic theory may equally be viewed as models of cooperation. The most fundamental assumption in these models is that every buyer be free to trade with every seller. But this is exactly a definition of cooperation, not competition. The main result – equalization of returns across activities – is the result of cooperation, not competition. Stigler also makes the point that the concept of perfect competition is "confused with a perfect market…" (p. 1) and that "The merging of the concepts of competition and the market was unfortunate…" (p.6), raising the point that the concepts are separable.

Focusing on cooperation rather than competition can also help understand "market failures." Some market failures are due to failures of competition; this would mainly apply to behavior such as cartelization or monopolization of a market. But most market failures are actually due to failures of cooperation. For example, public goods are not voluntarily produced because of a failure of cooperation. Asymmetric information may lead to a failure of cooperation. It would be difficult to characterize these as failures of competition. And most market interventions are to restore cooperation, not competition. Markets are fundamentally cooperative, but other forces (such as asymmetric information and coordination problems, including hold-outs and free riders: Epstein 1993) can prevent them from functioning properly. "Fixing" a market would then entail restoring the market's original function of facilitating cooperation (by eliminating the informational and coordination barriers), rather than trying to block its natural workings (e.g., through price controls or trading restrictions).

The notion of "framing" introduced by the behavioral economists is also useful here. If we view an activity in a competitive frame, there are winners and losers. Since the behaviorists tell us that losses are more important than gains, this will tend to focus observers on the losers, and may contribute to a negative view of competition. On the other hand, in cooperation both parties gain, and viewing markets in cooperative terms may lead to more favorable beliefs.

I want to stress that viewing the economy as cooperative rather than competitive does not necessarily involve a fundamental change in economic analysis. We can still build the same models and characterize the same behaviors if we call the economy a cooperative economy and model “pure cooperation” or if we model “pure competition.” The models are the same and the conclusions are the same. This paper is a critique of economic semantics and economic metaphors, not of economic analysis. The difference I am stressing is a purely semantic difference, not in any sense a difference in analysis. The point is that any economic act can be characterized as competitive or as cooperative. The characterization depends on the perspective taken. If we view the act from the perspective of competitors, it is a competitive act. But if we view the same behavior from the perspective of suppliers or customers, then it is cooperative. Economists have chosen to view behaviors from the perspective of competitors, but this is a choice.

To see the contrast, consider the discipline of marketing. Marketing views the economy as being cooperative. Marketing is about the cooperation between buyers and sellers to maximize the joint surplus. For example, a leading marketing text defines marketing as “Creating value for customers in order to capture value from customers in return” (Kotler and Armstrong, 2008, p. xxi). This is a good working definition of cooperation. In discussing interfirm competition, marketing scholars realize that competition is competition for the right to cooperate: “To gain competitive advantage, companies must use this understanding [of customers] to design market offers that deliver more value than the offers of competitors seeking to win the same customers.” (Kotler and Armstrong, 2008, p. 514.) (However, marketing is often criticized in the same terms as economics; see Shugan, 2006.) We economists are snobbish, but perhaps we can learn something about analysis of cooperation from those who study marketing.

I now turn to some of the consequences of the use of a competitive metaphor for the economy.

So What?

If the issue is only about metaphors, why bother to make the argument? The answer is that metaphors matter, and they matter a great deal. (Try to think about the workings of markets in an economy without thinking of the “invisible hand,” the most famous metaphor in economics.) Most of language is metaphoric, but the metaphors we use structure our thoughts about real phenomena. (Geary, 2011.) McCloskey (1998) is the classic discussion of metaphors in economics. To most people (perhaps excluding economists) cooperation is better than competition. If competition is viewed as bad and cooperation is viewed as good, then several implications follow with respect to naïve persons (those who have not studied economics.) At least part of the dislike of markets has to do with the use of the competitive metaphor rather than a cooperative metaphor. Consider some examples:

Why are some people poor? The competitive metaphor says they are poor because they were outcompeted, and perhaps their wealth was expropriated by the rich. (The folk saying "The rich get richer and the poor get poorer" implies causality.) But economists know that this is not why people are poor. They are poor because they have little or nothing worthwhile to sell – no capital, no valuable marketable skills. That is, the poor are poor because they are unable to enter into cooperative relationships with others. We may feel sorry for someone who is poor, whether this is because they have lost in a competitive contest or because they are unwilling or unable to cooperate successfully with others. But if poverty is caused by an inability to cooperate, we do not look for villains who have caused the poverty through competition. There is no external agent to blame for poverty if the poverty is caused by a lack of things to sell, rather than by losing in a competitive contest. The solution to poverty caused by a lack of something to sell is to increase the human capital of the poor, generally through increased education.

This is an important point. Much harm is done by seeking villains who have caused poverty, generally by being viewed as outcompeting others. For one example, consider that the poor may not have much to sell, but they may have something. But if we view poverty as being caused by successful competitors exploiting the poor in markets, we may restrict the markets in which the poor do cooperate (for example, through usury laws or minimum wages) and actually reinforce their poverty. If one ethnic group is more successful in the marketplace than another, the cooperative view says that the more successful group is contributing more by doing a better job of cooperating. But the competitive view of markets says that the success of one group comes at the expense of the other. This view has often led to ethnic conflict, and in the limit, has sometimes led to genocide.

Why are some people rich? Again, if we use a competitive lens, then the rich are rich because they have outcompeted others. Bill Gates, Steve Jobs, Sam Walton, Henry Ford and John D. Rockefeller became rich because they were better competitors than their rivals, and they became rich by beating their competitors in the market place and forcing them out of business. If so, then there were also losers from this process. But from the standpoint of cooperation, they are rich because they did a better job of cooperating with their customers, by selling products that the customers valued. They are rich because they have out-cooperated others, not because they have out-competed them.

What about international trade – say, trade with China? In the competitive metaphor China is competing with U.S. businesses, and if China sells more, U.S. workers and firms are hurt. This belief is also a result of zero sum thinking, but a competitive metaphor reinforces zero sum thinking. In the cooperative view, increasing trade with China merely expands the set of those cooperating with Americans, and therefore is unambiguously beneficial.

How about antitrust? In a world viewed as competitive, firms are competing to harm each other in order to increase market share, and rules constraining that competition are useful. In a cooperative world, firms are vying for the right to cooperate with consumers by offering the best deals. While there may still be some scope for antitrust, it is greatly narrowed because successful firms are the best cooperators, not the best competitors. While this view may not change the economics of antitrust, it will change the perception and therefore the political pressures. For example, there is often a tension between punishing anticompetitive behavior (the approach favored by economists) and punishing mere size (a politically more appealing approach.) The political appeal for attacking large firms comes about in part because of the view that these firms have become large through out-competing their rivals, rather than through doing a better job of cooperating with customers. This view is reinforced because of the naïve belief that harmful methods of competition, such as predation, are common.

What about Wal-Mart? Many are upset when Wal-Mart moves into a new market because they focus on the existing firms who will be harmed from the competition. Of course, the existing firms use available political means to reinforce this view. The alternative is to focus on the consumers and workers who will be benefitted by being able to have a new source of cooperation, for jobs and for lower prices.

"Consumerism?" It is easy for the competitive view to spill over from competition between firms to competition between firms and consumers. This can then generate the entire Naderite view of business as exploiting and harming consumers. The cooperative view argues that consumers and producers have most interests in common. They disagree on only one issue, price, or about dividing up the surplus from cooperative transactions. Other than that, their interests coincide. For example, firms want to produce the exact mix of products that consumers want to purchase because that is profit maximizing.

Viewing the world as competitive and zero-sum also has implications for special interest politics and legislation. Special interests (for example, firms in import competing industries and workers in those industries, or small businesses who lose from Wal-Mart) will have an incentive to exploit voters' misconceptions about cooperation and competition in order to obtain favorable legislation, such as tariffs or import quotas. While viewing the world as competitive does not create special interests, it does give them an additional tool to use in seeking benefits. Economists, by stressing the competitive rather than the cooperative nature of economies have facilitated the creation of the very policies that we argue against.

What Should Economists Say?[7]

Correcting these misconceptions creates a potentially powerful role for economists as teachers and as commentators in the public square.

As teachers and writers of textbooks, we can emphasize that the market economy is fundamentally a cooperative endeavor and that the essence of markets is cooperation. Some textbooks make this point, but it is too often ignored or glossed over as an aside. We can stress that in models of pure competition there is no competition, and that what is important is that resources are free to flow to their highest valued use, and that this flow is cooperative. In discussing market structures where there is direct competition, we can stress that the competition is competition for the right to cooperate, and that the winner of the competition is the best cooperator. We can also stress that the world is not zero sum, and that market economies are positive sum, leading to gains for all. (This point is so obvious to us as economists that we do not make enough effort to explain it to students, for whom it is not at all obvious.) Few of our students become professional economists, and for those who do not, one of the most important lessons we can teach them is exactly that market economies are positive sum and cooperative.

We can also perform a useful function when commenting on public issues. Many economists write blogs or op-eds, and we are sometimes called on by the media for comments on topical issues. Some of us may work as policy analysts in government. In these contexts, we

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[7] With thanks to Buchanan (1964) whose presidential address to this Association was "What Should Economists Do?"

can stress the cooperative benefits of a market economy. For example, if asked to comment on the effect of immigration on jobs, we can mention that immigrants produce goods and services which provide benefits to American consumers. If asked to comment on the effect of a new Wal-Mart on small businesses in some city, we can answer by saying something like "Wal-Mart may cause some businesses to go under, but this is because Wal-Mart provides a better deal for consumers who will benefit from its presence." Examples such as this could be multiplied. If we begin with a mindset that we will try to stress the cooperative side of markets in discussing policy issues, we may be able to reduce emporiophobia.

The Morality of the Market

Critics of capitalism who decry "the dog eat dog" world of competitive economics might not commit this fallacy if they thought in terms of cooperation rather than competition. The most successful firm would be defined as the "most successful cooperator" rather than the "most successful competitor." When a firm devised a new product or strategy, we would refer "cooperative advantage" rather than "competitive advantage." Rather than focusing on firms who lose from a competitive process, we might focus on the gains to consumers from the benefits provided by the most cooperative firm. We could focus on programs to provide human capital to the poor, rather than viewing those who want to cooperate with them through markets as exploiters.

Non-economists tend to view competition as bad and cooperation as good. Because economic terminology leads us to think of competition rather than cooperation in markets, even believers in the market often feel that they must justify them. That is, competition is viewed as a "cost" and defenders of markets believe that there must be some offsetting benefit to justify this cost. Those of us who are in favor of capitalism are often on the defensive. Arguments are often of the form "Capitalism has costs, but the benefits outweigh those costs." But the "costs" are often viewed as the byproducts of competition. If we used the language of cooperation, then many who are critical of capitalism might have different attitudes. We might be able to put critics of the market system on the defensive. ("Even though cooperative capitalism provides the best outcome for consumers, it is true that it does sometimes lead to harmful outcomes. But in correcting these errors, we must be careful to preserve the benefits of the cooperative market.")

These issues are relevant for understanding beliefs about the morality of the market. They lead to erroneous assertions about the immorality of the market. If we focus on competition rather than cooperation, then we think of winners and losers. We feel sorry for the losers and may view the winners as cheaters. At the least, there is a tendency to favor "underdogs" and the losers from competition may be viewed as underdogs. We may also believe that a world with winners and losers is in some sense unfair. By our emphasis on competition, economists must take some blame for this error. But if we think about cooperation, then the "losers" are those who are less successful at cooperating. Wal-Mart succeeds not because it has beat up its rivals and driven them out of business. It succeeds because it has done a better job of cooperating with consumers, by offering them stuff they want at the lowest possible prices. Of course, economists know this, but since non-economists begin with the competition model economists must be defensive and try to dissuade citizens of their prior beliefs. If the default way of thinking was cooperation, then the critics of markets would be on the defensive.

The zero sum nature of some naïve economic thinking also leads to incorrect moral judgments about the market. I have explored this in detail in "Folk Economics" (Rubin, 2003). For example, belief in zero sum thinking is one factor leading to envy. As mentioned above, it also leads to incorrect beliefs about international trade. But there are some additional implications. For example, we judge income inequality as a bad thing. But this is only true if total income is zero sum, so that the rich get richer by taking from the poor, who get poorer. But economics teaches that people are approximately paid what they produce (their marginal product.) If this is so, then the rich are rich by because they produce a lot. They have not taken anything from anybody. If one person has more than another, it is not because the person with more has taken from the person with less. The folk saying, "The rich get richer and the poor get poorer" is an incorrect statement due to zero sum thinking. Similarly, arguments that the rich should "give back to the community" ignore the tremendous gain that the rich have created for the rest of us in the process of getting rich. While many exceedingly rich people do give away much of their fortunes (e.g., Bill Gates, Warren Buffett, Bernie Marcus, Kenneth Langone, the Koch Brothers, George Soros, to name only a few contemporary philanthropists[8]) this benefit is only a fraction of the total benefit created by these individuals since the consumer surplus

[8] Including both the Koch Brothers and George Soros shows that this philanthropy may not necessarily be beneficial, since these two donors cannot both be improving society.

created by a Bill Gates is much larger than the share he acquired for himself, which is the most that he can give away.

Because our intuitions seem to indicate that markets are immoral, many feel a need to defend them. One recent example is Arthur Brooks, President of the American Enterprise Institute, a major pro-market think tank.[9] In his recent book, *The Battle,* he talks about the moral case for free enterprise and capitalism. “The purpose of free enterprise is human flourishing, not materialism.” This is based on a discussion of the role of capitalism in creating personal self-reliance (“earned success”) and autonomy. Human flourishing may be a benefit of capitalism. However, it is not the most important benefit. It is discussed because people are concerned with the costs of the capitalist system, not with its benefits. Rose (2011) has argued that those who find that capitalism is immoral have it backwards. The positive sum nature of economic transactions is clearly morally laudable, so free market economic activity actually promotes morality in a rather direct way. Free market societies don’t erode morality but are in fact highly dependent on morality because many free market institutions are highly dependent on trust. In fact, capitalism is the most moral system known. That is because capitalism is focused on one thing only: giving people what they want. The only way to be successful in a capitalist system is to cooperate by giving people the deals that they want. (By deal I mean that combination of price and other attributes of a good or service for which people are willing to pay.) The more deals that you can induce people to accept, the more money you can make. There is no other way to make money legitimately.

This system is moral because it maximizes human welfare. It provides the most goods and services feasible, and provides them in the least cost way. The lives of ordinary people under capitalism are as happy as it is possible for them to be. No other system can make this claim. This measure of morality is a pure output based measure: capitalism is moral because of what it produces. People do not fully grasp the moral benefits of capitalism because we tend to focus on competition, which is only a tool, rather than on cooperation, which is the actual goal of the economic system. If we economists can shift attention from the tool of competition to the goal of cooperation, we can perhaps reduce the amount of emporiophobia in the political marketplace.

[9] I am an Adjunct Scholar at AEI.

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