
Win-Win Competition

Stuart Nagel
PSO-DSI-MKM Center and University of Illinois

The present article provides six examples of government innovation in the context of win-win competition as applied to the six major policy fields:

1. Economic policy: competition among business firms, especially electricity and communications.
2. Technology policy: competition among inventors, especially licensing with royalties rather than monopolistic patents.
3. Social policy: competition among and within schools.
4. Political policy: competition among and within political parties.
5. International policy: competition among countries in the selling of goods and services.
6. Legal policy: competition among and within police forces to reduce crime.

I. PUBLIC POLICY TOWARD BUSINESS FIRMS

The conservative alternative of an unregulated marketplace may lead to only one or a few firms dominating most industries. That arrangement may be profitable in the short run, although contrary to low prices. The liberal alternative of government ownership or tight regulation tends to mean a government monopoly or stifled private enterprise. That means reduced business profits, although it might mean artificially low prices to satisfy consumers as voters. The mixed economy scores in the middle on both business profits and low prices.

The SOS alternative may draw upon the stimulus to innovation and efficiency of private profit making. The SOS alternative may encourage

competition through wellplaced seed money and other competition facilitators. Doing so results in lower prices through a competitive marketplace, rather than through a monopolistic one or through artificial price constraints.

The marketplace is associated with capitalism. It may not be associated with competition if the marketplace leads to monopolies or firms working together to decrease competition. Regulation or government ownership is associated with socialism. It is even more likely to lead to monopoly, but monopoly in the hands of the state rather than private enterprise. The marketplace may lead to better business profits than regulation does. Regulation may lead to better consumer prices than the marketplace does.

An SOS alternative is competition which is likely to lead to even better total business profits than the marketplace, although not necessarily better profits for each firm. Competition is likely to lead to better consumer prices and quality of products than regulation. Competition can be stimulated through laws that (1) require licensing of patents and facilities, (2) lower tariffs to increase international competition, and (3) seed money to get new businesses established or expanded to make an industry more competitive, and (4) require leasing of networks of electricity, telephone, and cable TV.

II. PUBLIC POLICY TOWARD INVENTORS

Preserving the patent system (as it is currently operating) tends to stifle some creativity by providing for a 17-year monopoly renewable once, but frequently renewed repeatedly with slight variations. It also stifles creativity by being the basis for lawsuits designed to obtain injunctions against creative competition.

For further details, please refer to Section I, "The Patent System and Encouraging Inventions" in article 2 on "Effects of Public Policy on Stimulating Creativity".

III. PUBLIC POLICY TOWARD SCHOOLS

Public school education can be made more competitive in the following ways:

1. More competition among teachers with salary rewards for quality work or for working in neighborhoods where teachers are reluctant to work.
2. More competition among students for academic honors and less competition for sports honors.
3. More competition among school districts by publicizing how well school districts are doing on SAT scores, college entrance percentages, and other variables, including publicity over time so that they are in effect competing with their past.
4. Rent supplements and anti-snob zoning laws in order to facilitate people voting with their feet by moving to better school districts more easily.
5. Conservatives talk about vouchers that would enable public school children to go to private schools. That is not an example of competition to improve quality. It is frequently motivated by any results in pure racism and economic class bias.
6. A voucher system could be meaningful to enable public school children to pay transportation costs and school lunch costs to attend a public school in the middle class neighborhoods of their district, or even outside their district. That is an example of a use of vouchers to promote integration rather than to promote private school, racism or private school religious fundamentalism, or parochial Catholic schools under the guise of competition to promote quality.
7. We could also talk about competition at the higher education level, which gets into regional and international competition. One of the best ways the government, can promote competition among universities or among business firms is to publicize how well each producer is doing on various objective criteria so as to embarrass many universities in the United States that lay people think are good universities. These include expensive private universities, the military academies, and religious schools. Those universities are not likely to have many many Nobel Prize winners, or even a high percentage or quantity of people who go on to become doctors, lawyers, or professors, especially if one thinks in terms of benefit/cost ratios. The state universities would look much better

than the lay public thinks given the low tuition and the high results in terms of various quality indicators.

IV. PUBLIC POLICY TOWARD POLITICAL PARTIES

This is a totally different area in which to encourage competition. Here it definitely does not make sense to say we will contract out to business firms to set up political parties.

The device that is sometimes advocated for getting more competition among parties is proportional representation rather than single-member districts where only a major or dominant political party can win. Proportional representation provides too much diffusion and gives too much power to small swing parties in forming a ruling condition.

Free speech is very important in developing opposition which develops opposition political parties. That means no restrictions on political communication with regard to content.

There may have to be restrictions on spending so as to prevent one party from spending itself into a monopolistic position. The best way to deal with that is through government financing of elections which pays the costs of both the incumbent party and the opposition, as well as other major parties if there are any.

The government can provide facilities for political parties that are capable of getting at least ten percent or so of the vote. The facilities can include a speaking hall, radio time, and TV time. The object is to subsidize the low-income parties that are not minor splinter parties, but are major viewpoints as indicated by the percentage of votes they are capable of getting but would not be very competitive without a subsidy, which the dominant party does not need. This would not run contrary to majority rule. The minority party would still have to convince voters that it is the better or best party in order to get elected.

Redistricting gives opposition parties a fair chance of getting represented in the legislature. That is the proportionate representation that goes with geography, not with saying that a party that gets one percent of the votes is entitled to one percent of the legislators.

Anything that increases registration and turnout is likely to increase political action and a diversity of major viewpoints. If only a relatively small portion of the population is registered and votes, that segment of the population in effect has a monopoly on running the government even though within that segment there may be more than one party.

The East German economy has been a relative failure compared to the West German economy since World War II. This has been used as a factor to show the superiority of capitalism over socialism. Some contrary evidence is the fact that the Swedish socialistic economy has flourished since World War II in spite of relatively few people and resources. The Spanish capitalistic economy has been a much greater failure than the East German socialistic economy since World War II. One can get much greater predictability out of knowing whether a society has a competitive economy and political system (versus a monopolistic one) than out of knowing whether it is a capitalistic private-ownership economy (or a socialistic government ownership economy).

Both East Germany and Spain have been failures in terms of providing high standards of living for their people. They both have one-party monopolistic political systems, although one was communist and the other was fascist. They both have monopolistic economic systems which try to keep out foreign goods through high tariffs with government-favored business firms, although one had government-owned firms and the other had privately-owned firms.

Both West Germany and Sweden have been successes in terms of providing high standards of living for their people. They both have competitive political systems with strong two-party competition, whereby the out-party is constantly trying to offer better ideas than the in-party. They both encourage competition among business firms and allow foreign competition. Thus, comparing East Germany and West Germany does point to ways in which public policy can improve the quality of life, but it is a public policy that encourages competition over monopoly, not necessarily one that encourages capitalism over socialism.

V. PUBLIC POLICY TOWARD FREE TRADE

A. IMPROVING INTERNATIONAL COMPETITIVENESS

The conservative position (as indicated in the first Bush Administration) has been to emphasize that government regulation increases business expenses and thereby reduces international competitiveness.

The liberal position (as indicated in the Carter Administration) has been to emphasize the need to lower tariffs, break-up monopolies, and encourage more labormanagement teamwork.

The neutral position has been to avoid substantial changes in regulation, tariffs, and other such controversies.

The SOS alternative (as indicated by some elements in the Clinton Administration) is to emphasize government investment in technological diffusion and the upgrading of skills. Doing so is capable of increasing the profits of business and the wages of labor. It can also result in better products at lower prices for both domestic and international markets.

B. THE NORTH AMERICAN FREE TRADE AGREEMENT AND TARIFFS

U.S. exporters and investors are helped by free trade with Mexico and other places because (1) Mexicans can buy more U.S. products if there are no Mexican tariffs artificially raising the price of American products, (2) Mexicans can buy more U.S. products if they have more income as a result of working in factories that have expanded as a result of American capital, and (3) U.S. investors can make money and add to the U.S. GNP by investing in Mexican factories which are now able to export more to the U.S. because U.S. tariffs have been dropped.

U.S. consumers are helped by free trade with Mexico and other places because (1) they can buy products made in Mexico at lower prices because they no longer have a U.S. tariff artificially raising the prices, (2) they can benefit from low prices that should result from decreased labor expenses associated with some products made in Mexico, possibly stimulated with American capital, and (3) U.S. consumers include business

firms that buy producer goods less expensively from Mexico and thereby make American firms more internationally competitive.

U.S. firms and workers who are not sufficiently competitive would be hurt by the NAFTA agreement, but this can be minimized by (1) re-training workers and firms so they can be more competitive in their old products or new products, (2) side agreements with Mexico that require upgrading of labor standards in Mexico, and (3) disrupted workers and firms may benefit from the increased prosperity of the U.S. as a result of more exporting, better overseas investing, and better buys for U.S. consumers.

Mexicans can benefit in the same ways as Americans by just substituting for the three goal-columns (1) Mexican exporters and investors, (2) non-competitive Mexican firms and workers, and (3) Mexican consumers.

The opponents of NAFTA are referred as conservatives, and the advocates are referred to as liberals. That is done partly to simplify the calculation of the tools. It is also in accordance with the fact that conservatives have traditionally been in favor of high tariffs, although in recent years that is less true than from about 1800 through the 1930s.

VI. PUBLIC POLICY TOWARD POLICE ACTIVITIES

The first thing that comes to mind is hiring private police. That is alright for rich business firms. A ghetto dweller is not going to hire a private police company to protect his family from being burglarized and mugged.

As mentioned above, publicizing quality indicators for different police departments across the country or different police stations within a given city stimulates better output including quality indicators over time so that one competes with oneself the way a jogger tries to improve.

The rent supplement idea enables people who live in neighborhoods with bad police protection to move elsewhere more easily just as it enables people to move who live in neighborhoods with bad schools. Most of what is described in article 5 is about competition among schools can also apply to police protection and other government services.

More competition among police officers for internal police department creates rewards such as salary increases, promotions, and honors.

In dealing with competition at the governmental service level, some of the methods that apply in the private sector may not be so applicable, but thinking about them might stimulate some applicable ideas such as contracting out to domestic or international business firms. This is not the same as a business firm hiring a private detective agency. What it means is that the city of Chicago would have the responsibility for providing good police protection throughout the city, but instead of doing it through Chicago employees it might hire a professional agency if the agency or business firm can meet the specifications with regard to personnel and equipment. There would then be competition among such business firms to get the contracts. All contracts would be subject to renewal every year or so in order to make it clear that the contracts do not last forever regardless of a drop in the quality of service. It is quite possible that such a contracting out could lead to a more sensitive police operation in the inner city than is currently provided by an arrogant police force that in effect does have a contract forever.