

Critique of Competitiveness - Theoretical Points of Departure

Introduction:

In nearly all developed industrial countries one of the most central objective and ideological notion affecting the regulation of the economy and labour markets (including industrial relations) is “competitiveness”. The idea of global competitiveness of the European Union has also been a central objective in all policy programmes of the Union since the mid 1980’s. In many cases, the policy objective of competitiveness figures strongly in the policies of sub-national regions and municipalities as well.

This paper endeavours to present a few theoretical points of departure for the critique of competitiveness. In order to achieve this objective, this essay proceeds in a following way. First, I will try to clarify the constellation of competition and competitiveness, that is, I will try to analyse what elements constitute the necessary parts of competing socio-economic units. Secondly, I will examine what kinds of social functions competitiveness has.

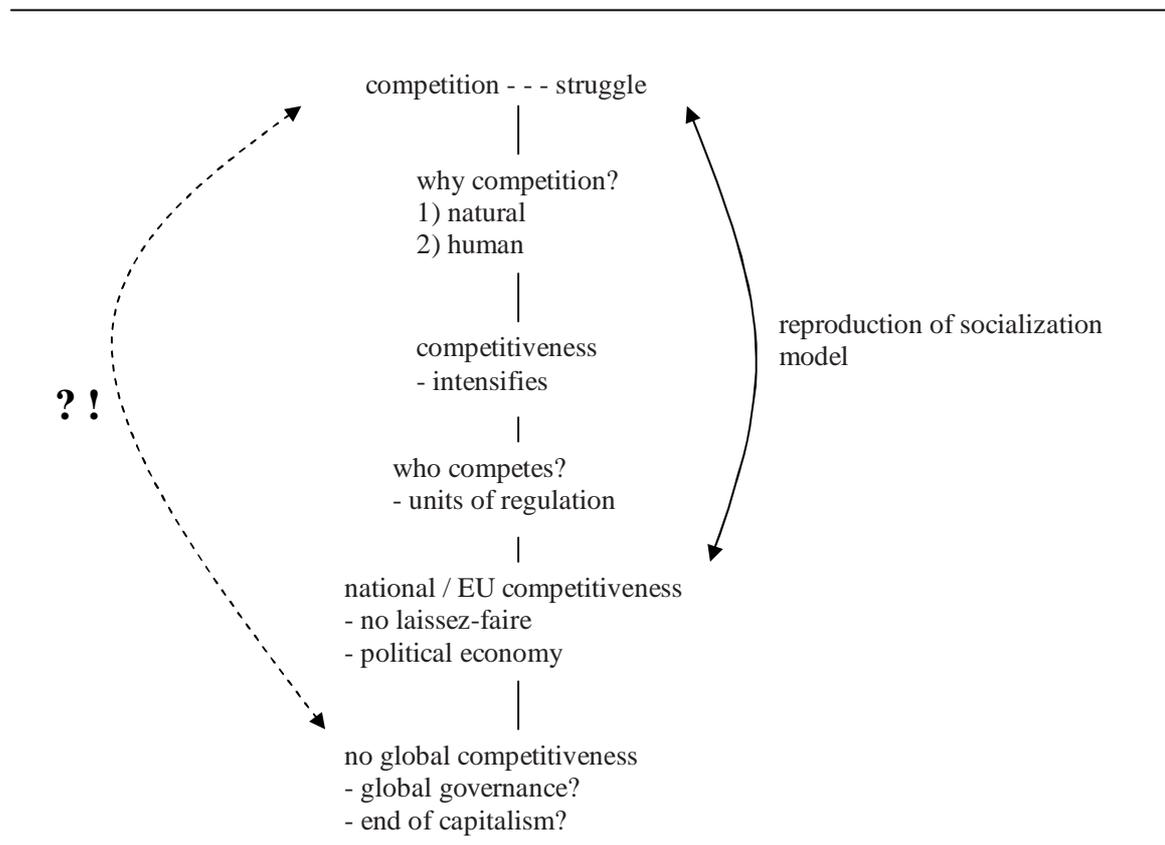
In my mind the theoretical importance of the critique of competitiveness to industrial relations research stems from two sources. First, the critique of competitiveness raises a theoretical question of the role of ideological frameworks in industrial relations. This question of the role of ideological frameworks touches both the industrial relations practices and industrial relations research. Secondly, criticizing a phenomenon is an age-old academic method of analysis and a strong mean of creating new insights. This can be observed from the writings of Immanuel Kant, Karl Marx and Pierre Bourdieu, just to mention a few well-known proponents of critical approach.

Constellation of Competitiveness

As far as I can see, social phenomena and concepts linked to them constitute constellations in which different phenomena interact and presuppose each other. Hence, in order to be able to understand and analyse a singular phenomenon one should seek to comprehend its relations to other phenomena. In other words, constellation approach aims to grasp links between diverse phenomena blurring thus borders between institutions, organizations and academic disciplines (see Mulsow 2005; Nieminen 2005, Section 2.6).

This kind of an approach originates, of course, from old dialectical tradition which underlines relationships and dependencies between seemingly separate actors, activities and phenomena. Often these relationships have a contrary character. For instance, capital and labour have often contrary interests and these socio-economic groupings have fought each other many times. Yet, their fundamental characteristics are dependent on each other: the very existence of capital presupposes wage work and the existence of wage workers presupposes the owners of the means of production (at least for the time being) My ideas concerning the constellation of competition and competitiveness are summarized in Figure 1 and presented in the following pages.

Figure 1: Constellation of competition and competitiveness



It seems reasonable to start an investigation on the constellation of competitiveness by defining the notion of "competition". Two crucial questions on the nature of competition come up here. What exactly is "competition"? And why do individuals and groups compete with each other?

When defining competition it is important to make a distinction between "competition" and "struggle" (see Weber [1922] 1985, 20-21; Simmel [1903] 1992, 174-175). "Struggle" means that antagonistic parties fight directly with each other for the possession of certain desirable things (land, money, goods) and one of the opposing parties controls these desirable objects. Thus, in the ensuing struggle adversaries fight directly against each other's will. This is, of course, the Hobbesian state of nature. A war for frontier regions and their natural resources is an example of such struggle. On the contrary, in the case of competition none of the adversaries is in possession of the objects of competition, but the winner obtains these objects through indirect means. Competition is a mechanism which indirectly determines who wins and who loses. In terms of social contract theory, this situation corresponds to the pacified state of nature: An implicit or explicit social contract has transformed struggles into competition regulated by formal and informal norms.

This distinction between competition and struggle being made, it is equally true that often in reality struggle and competition mix with each other. For example, political and economic competitors may try to attack each other directly by accusing each other of improper actions.

Examples of competition are manifold: competition for market shares, competition in labour markets, arts and in sports. In each of these cases actors do not directly attack their adversaries, but try to demonstrate by indirect means that she or he is better than the other competitors. In competition it is the formal rules of competition (for example, the rules of a game), an objective mechanism (for example, market mechanisms) or a third party (for example, the judges at a sport competition, customers at markets) which decides who the winner is.

A second major question concerning the competitive dynamics of modernization is: Why do individuals and groups compete and struggle with each other? Obviously competition comes about because resources are scarce. In a world of abundance competition would be meaningless. A simple thought experiment might clarify this idea of the relation of systemic determination between scarcity and competition. If business firms could in all circumstances sell as much as they wish, if every competitor could win the first prize, and if university degrees and limousines could be bought with five cents on street corners it would be meaningless to compete for market shares, first prizes, doctor's degrees or a higher income. Naturally, also in a world of abundance individuals and groups could compete with each other, but within abundant conditions, competition would have a playful character and systemic competitive pressures would lose all their strength. Thus, scarcity seems to be essential to the reproduction of systems of competition and struggle. But where does this scarcity stem from?

There are two divergent answers to this question. According to the first explanation, an absolute scarcity of desirable goods and resources drives individuals and groups to compete with each other. An absolute scarcity of different kinds of resources forces individuals and groups to struggle and compete with each other in order to get their share of scarce resources. According to the second explanation, the scarcity that brings about competition is relative. This means that the amount of resources is not measured in terms of absolute quantity, or in terms of human needs, but rather in terms of the relative division of resources. In a competitive hierarchical social system actors do not compare their lot with absolute human needs but with their relative reference groups.

Hence, competition for relatively scarce resources reproduces hierarchies. It is often maintained that modern societies are mainly based on the functional division of labour and not on hierarchies, but actually competition is the main means for the reproduction of modern hierarchies within politics, the economy and cultural life. Competition, hierarchy and relative scarcity are thus interwoven and they systemically determine each other's preconditions, grounds and consequences. In other words, they are parts of the same constellation. Without relative scarcity competition and hierarchies would collapse. On the other hand, hierarchies and competition reproduce relative scarcity by constituting values and hierarchical positions that, by definition, are not available for everyone.

It follows from the above considerations, that competitive socioeconomic systems are defined in this essay as social systems that reproduce themselves via the circular socio-economic dynamics described above. From this point of view, the idea of an absolute scarcity which forces people to compete and struggle with each other is in most of the cases misleading and amounts to the naturalisation (legitimizing) of competitive social systems. This, however, does not mean that objective changes in the amount of resources would not affect the dynamics of competition. It only means that actors of competitive systems tend to interpret changes and answer challenges according to the competitive logic of their respective social systems.

Given the above definition of competition, a second part the constellation of competitiveness is "competitiveness" itself. In general, Competitiveness denotes tendency to compete. In politics and economics competitiveness refers to an actor's abilities and performance to get support for her/his political objectives and to sell her/his goods at the market. Because competitiveness does not necessarily refer to the winning itself but to the actor's potential ability to win, this notion states a constant question: "Are you competitive? If you are competitive today, remember, you may not be competitive tomorrow."

Herein lays the immense ideological weight of the notion of competitiveness: given the dynamic reality of the social institution of competition, today's winner can never be sure that he will be a winner also tomorrow. And the more competition oriented a social configuration is, the less comfort it offers to "losers". Hence, the notion and practices of competitiveness electrify and intensify social actions and intentions by producing a constant threat of losing the socio-economic competition. This seems to be the most important socio-economic function of competition and the ideals of competitiveness. Within this kind of ideological and practical

constellation, the following kind of utterance is perfectly reasonable: “In today’s competitive world one has to run in order to stay at the same spot.”

After defining the character of competition and its important dynamic quality, competitiveness, a third element must be added to the constellation of competitiveness. This element is the unit of competition. Who or what are those units that compete with each other? The answer to this question reveals the real nature of a socio-economic system in which competition takes place.

According to the classical economic theory, competition takes place between singular firms and individuals. However, also branches of economic activity, like that of metal industry, may be treated as a unit of competition. Since the invention and strengthening of nation-state as the most important unit of governing and regulating of socio-economic relations, the nation-state has formed a central unit of political and economic competition. The identification of nation-state as the most important unit of competition is a crucial observation because there is a clear contradiction between liberal economic theory and the ideals of national competitiveness. According to the liberal theory, states should only provide functional frameworks to economic activities. Yet in fact, states aim consciously to enhance their political and economic competitiveness.

In recent times, many have depicted ruling policy line in Western Europe as “neoliberalism”. It is however noteworthy that as a neoliberal socio-economic model, the present policy line has a strangely active state apparatus in it. The same observation may be applied to the European Union which understands itself as an important actor in global political and economic competition; the strengthening of the EU’s global competitiveness is one of the cornerstones of its policy-making (Nieminen 2005, Chapter 9).

This connection between the economy and politics within European nation-states and the European Union shows that an adequate analysis and criticism of competitiveness has to take a point of view of political economy. It is not a liberal laissez faire capitalism with which an analyst is dealing with. To many readers of this essay this point of view might look like a self-evident fact, but it is important to stress this point of view because public ideology emphasises the role of singular firms in spirit of liberal economics.

When thinking about the dynamics of reproduction of the constellation of competitiveness, politico-economic competition among national units follows the same logic as the competition among firms and individuals. The fundamental principles of competition and competitiveness (market equilibrium, unavoidable functional regulation of the system by mechanisms of competition and struggle) seem to realise themselves both at the levels of individuals, national economies and political units. It is, of course, a sign of strength if similar kinds of mechanisms, principles and values seem to realise themselves at different levels and realms of socio-economic systems (see Douglas 1986). In this way the competitive system is able to reproduce its mode of socialization (see Figure 1).

However, this kind of dynamics of reproduction functions only so far as there are no units of regulation that are in position to regulate the functioning of politics and the economy by political means. In recent decades the diverse processes labelled as “globalization” have indeed raised the question of political governance of the whole humankind. These kinds of aspirations jeopardise reproduction of the logic of competition (see Figure 1). For instance, there is no such thing as “global competitiveness” because the humankind has no political or economic competitors.

This kind of an observation was made, among others, by Max Weber and Elias Norbert (see Elias [1939] 1992) who attached the development capitalist economy and the modern nation-state strongly with each other. Weber predicted that capitalism would not survive a world empire that would organize and regulate competition globally (Weber [1922] 1985, see subject word “Konkurrenzkampf-rivalisierender Nationalstaaten”). Given the often voiced criticism that “globalization” means actually increasing powers of capital, this idea of globalization as a grave digger of capitalism is quite attention-grabbing.

Functions of Competitiveness

After describing the constellation of competitiveness, its social and political role can be further clarified by analysing its diverse functions in social practises. In the following pages, these functions are approached by using Robert Merton's differentiations among manifest, latent and dysfunctions. However, when using these notions, it must be kept in mind that what is a manifest function to one actor may be a latent function to another person. The following presentation is based on my current understanding of the above forms of functions.

As pointed out in the previous section, the level of political regulation of the economy reveals the true character of a politico-economic configuration. In a fully liberal system, the units of economic competition would be individuals (workers and entrepreneurs) and singular firms. In such a system political regulation would only offer frameworks for economic activities and there would be no public discussion concerning the competitiveness of other socio-economic units. In a truly liberal world competitiveness would be a fact of life to firms and individuals but it would not be a policy objective.

The most important units of competition have for a long time been national economies. In recent decades also the European Union has strengthened its role in this respect. Hence, the most important manifest function of the ideology and policies of competitiveness is that they constitute a firm frame of reference that ties all social and political actors under a single hegemonic project. This kind of a project constitutes also strong frames for regulation of class relations in general and industrial relations in particular. Of course, the role of the content of national competitiveness policy differs from nation to nation and over time. For instance, "innovation systems" (the idea exists foremost in the Nordic countries) refers to a competitive constellation of capital, academia and public authorities. It is one variation of Nordic corporatism in service of national competitiveness. National variations notwithstanding, policies of competitiveness seem to have been very important policy objectives in most of the EU member states. And it is certainly one of the cornerstones the present EU policy making. Both at the national and at the EU level this hegemonic ideology realises itself in diverse political practices aimed to enhance national and EU competitiveness. (See Nieminen 2005, Chapter 5 and Section 9.1.)

One example of such practices is how diverse measurements of competitiveness are used as policy tools both at the national and trans-/international level. For example, the Swiss-based think-tanks, the World Economic Forum (WEF) and Institute for Management Development (IMD)¹, produce yearly world-wide rankings concerning the competitiveness of the world's nations. In political and in ideological practice high-ranking countries can be used as models of "best practices" to be followed by the others.

A second manifest function of the competitive ideological framework is that it intensifies social life according to its mode of action. The present day winners of socio-economic competition are worried about their future position and the losers are keen to take their places. This function was already mentioned in the above section of this essay, and it is the one that is normally held up as a positive function of competition. Competition is assumed to enhance economic efficiency and boost economic development. Political and economic leaders use this function consciously to boost the efficiency of by creating diverse competitive situation; a firm may make its divisions to compete with each other, a ministry of education may force universities to compete with each other and so on.

There are at least two latent functions of competitiveness. First, the definition of a competing unit functions as a strong uniting force within that same unit: All those actors who belong to one competing team are seen as belonging to the same socio-economic unit and sharing fundamentally the same interest and destiny. The ideology of competitiveness is therefore a good mean to hide all

¹ See: www.imd.ch and www.weforum.org

kinds of conflicts of interest. An ultimate example of this situation is the war-time national unity. From the point of view of industrial relations, the ideology and political practices of competitiveness are used to hide class relations between labour and capital.

Secondly, even if the ideals of competitiveness are presented as goals of collectives (firm's, region's, nation's, EU's etc. competitiveness) they give substantial powers to the specific groups of capital owners and managers (see Miller 2005; Kels & Vornbusch 2005). This is so because ultimately it is owners and management of firms that define what is and what is not competitive.

To be able to analyse this situation better it is fruitful to divide competitiveness into two subcategories. Objective competitiveness means that a firm or an individual is competitive when it is able to reproduce its activity in a medium term time-frame. This kind of competitiveness is a fact of life in liberal market economy. However, one encounters objective competitiveness as such seldom. This is so because a firm's economic figures belong to the realm of business secrets; owners and management do not normally reveal them to the workers or to the public. Therefore, the objective facts of economic success or failure are hidden and demands of subjective competitiveness are voiced. A firm or another economic unit is subjectively competitive when it satisfies subjective needs of its owners (capital) and subjective expectations concerning the returns from invested capital. Because – unlike sometimes believed – money does not talk, an analyst is normally encountering a mixture of objective and subjective competitiveness when observing competitiveness of a politico-economic unit.

An every-day observation may clarify the above distinction between objective and subjective competitiveness. Often in public and in social scientific literature it is presented as a self-evident truth that in the present globalizing world the economic competition has become much harder than before and this situation demands sacrifices from all. At the same time when reading the economy sections of newspapers one often encounters news about substantially heightened profits of firms and substantial increases of management's wages (for calculations of profits, see Nieminen 2005, Section 4.5). Now, how is it possible that in a situation of hardened competition capital is able to increasing its profit rate? Should not the situation of hard competition lead to a profit squeeze? Or might it be that what we are dealing with here is a matter of subjective and not objective competitiveness?

Lastly policies and practices of competitiveness have also dysfunctions. In the case of socio-economic competition these include at least those material and spiritual resources that are invested in competition between humans instead of using these resources to improve human conditions (for instance arms race, investments restricted to narrowly defined units of competition). In some cases, competition may amount to construction of several production systems (for instance, several mobile phone networks) even if one system could be enough to satisfy needs in question.

The most severe dysfunction of competitive social orientation is that in cases when this orientation begins to rule social life, it will reduce human relations into suspicious striving for competitive advantages and undermine all other forms of human coexistence. Socio-economic competition would exclude all those individuals and groups that lack money and other economic resources leading to divided societies and most likely social and political problems and protests. In the worst case, competition transforms to violent struggles such as wars among nation-states.

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