When Cooperation Becomes Collusion

Life often offers us microcosms – little systems that we can examine that reflect the behavior of the whole. The economy is no different in this regard and often small behaviors in a single market History has it that when asked by a women

[Free Enterprise: The Economics of Cooperation, October 2003, Dallas Fed](https://www.dallasfed.org/~/media/documents/educate/free/econprimer.pdf)

Quotes:

Competition and Cooperation Another implication of scarcity is that cooperation is desirable but competition is inevitable. The best way to push back the limits of scarcity is by working in cooperation with others. More can be accomplished when people coordinate their efforts with each other and take the concerns and talents of others into consideration. But because scarcity always leaves people wanting more, competition is unavoidable. Fortunately, competition does not have to be at the expense of cooperation. In fact, as we will see, competition can be the most effective way of ensuring cooperation. But first we need to consider some other implications of scarcity.

Rationing requires rules, and those rules determine the type of competition that occurs. For example, using the rule “first come, first served” is one way to ration things. This rule causes people to compete by waiting in line, with the competition favoring those willing to wait the longest—those with the lowest opportunity costs. Unfortunately, this does nothing to promote the type of cooperation that makes everyone better off. Waiting in line does nothing to produce more of what people are waiting for.

Another way to ration scarce goods is by having the government distribute them. Government distribution is typically justified as a way of ensuring things go to those who most deserve them, instead of to those best able to compete. But the rules of government distribution don’t eliminate competition, they just change the type of competition that occurs. The more wealth government allocates, the more money interest groups spend contributing to political campaigns and hiring lobbyists to influence officeholders’ decisions. Such competition may provide politicians with some information, but it does little to produce more of the wealth people are competing for. When one group gets more through political competition, some other group gets less.

The most productive competition takes place in response to the rules of the marketplace. As we will see, market competition excels at promoting the type of cooperation that allows each of us to get more of what we want by helping others get more of what they want. Market competition doesn’t eliminate scarcity, since people never get as much as they would like. But the cooperation of the marketplace enables us to do a better job pushing back the limits of scarcity.

In a nutshell, market economies succeed because they let us make the best use of the information necessary for social cooperation. They do so by allowing that information to be communicated from those who have it to those best able to act on it, with the messages containing this information motivating people to respond appropriately and providing them with the means to do so. Any successful economy has to be a system of messages, motivation and means. And no economic system incorporates these three M’s as effectively as the market economy.

Only by directing scarce resources into their highest-value uses can an economy prosper. But there are countless uses for resources, differences of opinion about their value in different uses, and shifting conditions that constantly change a resource’s relative scarcity and its value in different uses.

Summary:

Other ways to ration – government distribution,

Market prices message

Motivation to change based upon these messages exists.

Payoff on the motivation provides the means to continue.