THE WILSON QUARTERLY

The New Invisible Competitors

– TYLER COWEN

In our globalized economy, competitors can suddenly appear out of nowhere — if we can see them at all. The new environment spells trouble for some people, opportunity for others.

Remember the *Archie* comics? Archie and his conceited rival Reggie battle for the affections of Betty and Veronica, and the two girls, though they are best friends, jockey for the attention of Archie, the affable all-American boy. They have been at it for more than 60 years, and in the early days the basic situation wasn't far removed from the experience of many Americans, especially in small towns. Indeed, cartoonist Bob Montana based the Archie characters on people he knew from his high school days during the 1930s in Haverhill, Massachusetts. Most romantic competition occurred within small groups of people who knew one another. The girl or guy would choose, perhaps the couple would marry and settle down, and often the loser ended up living down the street or across town. Romance was full of heartbreak and anxiety, but at least you knew who your rivals were and who was beating you.

Archie and his crowd continue their antics in the world of colored ink, but in the real world, romantic competition has radically changed. *Millions of Women Are Waiting to Meet You* is the apt title of Sean Thomas's 2006 book about Internet dating, and there really are, just as millions of men are now potential matches for each woman. But the sad truth for members of both sexes is that millions of rivals are also waiting, waiting to undercut their chances and crush their hopes before they even get close to a first date. All they will "see" is that their charming e-mail to "prettyblonde47" or "bronc0451" was never answered. The competition now is invisible, the rivals faceless.

What's true in the romantic sphere is also increasingly the case in the wider world. Most of the pressure on the wages and job security of American software programmers now comes from eager workers in India and Bangladesh. Hardly anyone saw this challenge coming. When those Bangladeshis were learning programming skills and clever ways to sell their services over the Internet, they never issued a challenge or threw down a gauntlet. And it is not just programmers, factory workers, and call center employees who face new challengers. Invisible competition now touches even those who make their living with paintbrushes and shovels. At Guru.com and other websites, it's easy for anybody anywhere in the world to hire specialists overseas for a wide variety of services, from designing integrated circuits to composing advertising jingles. You can hire somebody to paint your portrait or to draw up a landscape design for your house. The upshot is this: Competition

is fiercer than ever before, yet it is also harder to perceive as real. No rival with snarling teeth knocks on your door.

Any good horror-movie director knows that invisibility increases anxiety. We all want to turn on the light, identify the assailant, or understand the problem we are facing. If we cannot, we clutch at straws. We look for order, even when order cannot be found; this is a theme of Nassim Nicholas Taleb, author of the best-selling books *The Black Swan* (2007) and *Fooled by Randomness* (2005). As the concrete manifestations of the more important contests of love and business vanish, we recreate up-close rivalry to make our lives feel more real. I suspect that this helps explain the growing appetite for televised sports and organized athletics for children as well as the vogue for reality TV series such as *Survivor* and *American Idol*, eating contests, and even spelling bees. Because children are a cheap labor supply and willing to engage in all sorts of behavior for a chance at a prize or parental approval, they often serve as the vehicle for parents who seek to live out their desire for head-to-head competition vicariously. Spelling does not interest many people (who sits around practicing?), but bees exemplify the competitive spirit in action. The challenge to spell *autochthonous*, *panmyelopathy*, or *warison* will bring one kid to tears and another to triumph.

More significantly, anxiety about invisible competition also feeds the backlash against international trade. Economists are right to stress that the benefits of trade outweigh the costs, most of all to Bangladeshis but also to American consumers, yet an increasingly disquieted public demands more proof. A measure of reassurance can found by sorting through the winners and losers created by the new invisible competition brought by globalization.

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Let's look at individuals. Human beings evolved in small groups and hunter-gatherer societies, in which virtually all competition was face-to-face. That is the environment most of us are biologically and emotionally geared to succeed in, and it explains why our adrenalin surges when a rival wins the boss's favor or flirts with our special someone. But in the new arena, with its faceless and anonymous competitors, those who are driven to action mostly by adrenalin will not fare well. If that's what they need to get things done, they will become too passive and others will overtake them.

The greatest gains in this new world are likely to go to people who are methodical planners or who love the game for its own sake. Some people plot their competitive strategies far in advance. These planners—be they crazy or just highly productive—don't need anyone breathing down their necks, and indeed they often work best alone or in small groups. Bill Gates is a classic example. Planners' behavior may manifest itself in competitive forms, but their underlying psychology is often not very rivalrous at all. They are ordering their own realities, usually for their individual psychological reasons, rather than acting out of a desire to trounce the competition.

Early risers will also be favored. These people simply enjoy being first in line, or first to use a new idea. They build competitive advantages before anyone else has much chance to react. These are the people who fuel America's laboratories and high-technology industries, among other sectors. Basketball coaches are scouting younger and younger talent, parents start preparing their kids for the Ivy League in kindergarten, and businesses are starting to worry about global warming that may be decades away. Planning horizons have never been longer. Especially when early risers are far-sighted innovators, they often obsess over their own internal creative activities more

than they do their rivals. Their delight in winning is more abstract than visceral.

Nervous personality types, and those who are prone to choking in public, may also catch a break. The nervous choker typically reacts negatively to an in-your-face situation, such as an expectant crowd, a strutting rival, or a public confrontation. One-time Democratic presidential candidate Howard Dean was a star on the Internet, but in front of the cameras he lost his temper, and his shot at the White House. As more and more people find themselves able to minimize personal contact by working via the Internet, the smart but anxious set will move to a more level playing field. We are thus getting a great hitherto-underutilized resource. On the Internet, to paraphrase a famous *New Yorker* cartoon, nobody knows you're a geek.

Most of all, invisible competition favors people with imagination. It favors the new marketing idea, or the new design (think of Apple), rather than those who focus on squeezing out business costs in order to undercut rivals. Invisible competition favors people who can see a new future and want to get there first. Before Google, who knew that Web searching would be such a big deal—and so profitable?

George Shackle, the neglected Scottish economist, wrote in his 1973 book *Epistemics and Economics* that the entrepreneur imagines a future no one else sees. For Shackle, the entrepreneur is not just a trader, a manager, or an initiator of enterprise. The fundamental entrepreneurial activity is creative, and it occurs in the mind rather than the physical world. The creators of YouTube and Facebook did not require a new raw material or even a radically new programming technique; most of all they were blessed with the ability to imagine a new way to present material and connect people to one another. Their competitors, if that phrase can even be used, were the young potential entrepreneurs who might have hit upon similar ideas first, but didn't. These phantom rivals were not out in the public arena, promoting their corporations or thumping their chests and proclaiming grand plans. Rather they were quietly doodling away on their computers in scattered suburbs and cities, perhaps after finishing their homework for the evening.

Invisible competition also gives an edge to people who can manage and interpret their own feedback. In the past, if you lost a job to a person who was smarter than you or had a better line of patter, you could size up the winner and gauge where you fell short. Now you can't always see who crossed the finish line ahead of you. The future will favor people like Madonna, the pop star and media icon who has successfully reinvented herself so many times because she has an uncanny sense of where popular culture is bound and how to get there first.

The world of blogs is a good example of how invisible competition works. A reader can choose from among millions of blogs, and in that sense all bloggers are competing against one another all the time. New blogs appear out of the blue, and, if they carve out the right niche, find the right voice, or fill a previously unperceived need, they steal audiences away from old blogs or render them irrelevant.

Because I am a blogger myself (at www.marginalrevolution.com), I know or have met a good number of top bloggers. Many of them are shy, and most of them do not come across as particularly competitive. They probably would not be very fierce if they were thrown into a wrestling ring or a tennis court, or even if they were asked to play a round of *Jeopardy*. The top bloggers don't think too hard about how to pander to audiences; they focus on self--realization and developing their own voices. Competition in the blogosphere favors the quirky loner who happens to have a knack for writing quickly and has something interesting to say.

The rise of invisible competition has implications for nations as well as individuals and corporations. For the United States, those implications are overwhelmingly positive. Although Americans fret endlessly about the invisible threat of outsourcing, the rest of the world often sees the United States as the deadliest source of invisible competition. From information technology to cutting-edge medical research to higher education, Americans have achieved exceptional results relatively quickly, before the rest of the world had much chance to respond.

While American culture glorifies the competitive spirit, Americans are good competitors in part because they don't always need that last-minute adrenalin rush. They tend to value change and innovation for their own sake, and they imagine themselves to be pioneers. The idea of striking out into unknown territory to build a better world is deeply embedded in the national psyche. The Protestant ethic also lives on, expressed in a commitment not only to hard work but to the idea that we fulfill ourselves through our labors. This helps explain why, to the vexation and puzzlement of Europeans, millions of Americans prefer to stay at their jobs rather than take all of their allotted vacation time.

The nations most disadvantaged by invisible competition may be those that exist in proximity to a key rival. They risk focusing too narrowly on one challenge and getting used to the idea that competition takes a highly visible form. Transfixed by its rivalry with India, Pakistan may be oblivious to other concerns. A similar preoccupation makes it harder for many people in the Middle East to take a global perspective.

Invisible competition hurts some Americans, and its manifestations are not in every way flattering to American society, but nonetheless, it is more to be embraced than feared. We have already made the choice. For all the angst and disappointment that Match.com produces, it's hard to imagine that many people would prefer to return to a world in which they had few other choices but to marry the boy or girl next door and had to live without such things as Japanese cars and French wines . And who would pull the plug on the Internet? Invisible competition has arrived with such force because *we brought it here.*

Limiting competition in one sphere of life, moreover, often serves only to push it into another and often less salutary area. Men in prison inhabit perhaps the most controlled environment imaginable, with little opportunity to strive for the normal rewards of life. Yet it is hard to think of a place where competition takes more destructive forms.

We tend to forget that competition often breeds cooperation. What is the contest between Archie and Reggie for the attention of Veronica but a bid for an alliance, a cooperative relationship? Very often, cooperation is needed even

before one can compete. In order to succeed in the global marketplace, corporations strive mightily to instill the cooperative spirit in their employees, training them, investing in a shared corporate identity, and working to keep up workplace morale. And as both businesses and individuals become more successful, they are brought into more numerous relationships with other firms and people that require coordination and collaboration. Managing these proliferating relationships has become a major preoccupation of American business.

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The same technologies that foster invisible competition also promote new kinds of social ties and cooperation. Through my blog I come into contact with strangers around the world, and some I eventually meet for interesting meals and conversations. Even before she started her freshman year of college this fall, my stepdaughter was trading instant messages with her future classmates, starting new friendships with people she had never seen. Of course, she might use Facebook to get a competitive edge in flirting with some guy; that just shows again how closely competition and cooperation are intertwined.

Still, it is important to anticipate who will be hurt and how they might be helped in the world that lies before us. Awareness alone will not solve the basic problem. Maybe it would help if teenagers were told that their exams would be graded on a curve—a curve determined mostly by test takers on another continent. Or if they were shown videos of Puerto Rico and Lithuania beating Team USA at basketball in the 2004 Summer Olympics. Realistically, however, such efforts can only go so far.

What we really need is better competition, in which no one party carries off all the spoils. But to get better competition, we usually end up looking to *more* competition. If one rival reaps all or most of the gains, that winner probably wasn't facing enough of a challenge from others. Coca-Cola can charge higher prices and earn bigger profits if Pepsi is not in the market. If we wish to make sure a winner doesn't dominate a field, we need to bring in more competing parties. When Snapple and others join the fray, just about everyone gets a better deal, except, of course, Coca-Cola.

In other words, we need even more invisible competition, despite all the fears and social peculiarities that entails. We need to learn to live with our fears, because they're not going to go away anytime soon. If you're feeling down about that prospect, the flip side is that we will get more and better cooperation. Match.com claims that more than 200,000 people each year meet the person they were looking for by using its service. Might this number be inflated? Maybe. Should you invest in getting a really spiffy photo on your profile? For sure.

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