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BOOKSHELF

Book Review: 'A Bigger Prize' by Margaret Heffernan

We glorify the local, but smallness didn't stop the country's savings and loans from needing a federal bailout in the 1980s.

By MARC LEVINSON

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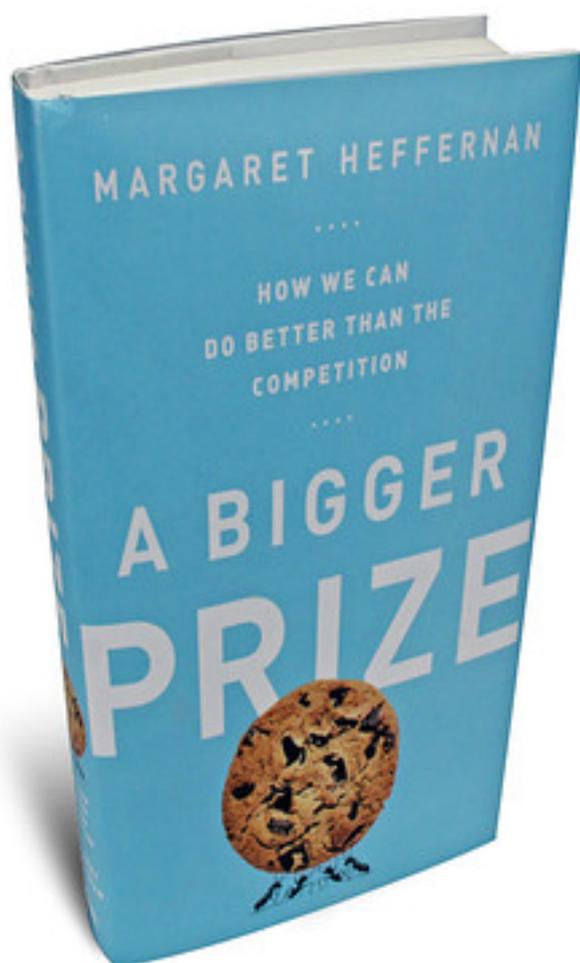
Back in the 1920s, anyone could become a grocer. A how-to guide like "Paul Findlay's Book for Grocers" (1924) provided basic advice about merchandising and sample forms to use for calculating profits and losses. A shop, perhaps with an apartment above, could be had for \$50 or \$60 a month. A wholesaler might provide an initial stock of sugar, coffee and canned goods on credit. For a modest investment, even a person with minimal English and no commercial experience could take the first step into the merchant class, working 12 or 14 hours a day to provide personal service at the corner store.

Question: Was the world better off before chain stores came along with lower prices and drove mom and pop out of business? Unfortunately, Margaret Heffernan doesn't attempt to grapple with that sort of question in her critique of competition, "A Bigger Prize." Instead, she intersperses brief case studies of firms that prosper by de-emphasizing competition with descriptions of research showing that collaboration is better.

Ms. Heffernan argues that business and, more broadly, society suffer from an excess of competitive pressure. "In our quasi-religious fervor to compete, we have expected fabulous efficiencies, miraculous economies, infinite creativity, and dazzling innovation," she writes. "Instead, we have found ourselves gasping for air in a sea of corruption, dysfunction, environmental degradation, waste, disenchantment and inequality—and the harder we compete, the more unequal we become." Businesses that emphasize trust, employee ownership and cooperation are better than those obsessed with competing, she contends.

But rather than analyzing industries in any depth, "A Bigger Prize" merely offers argument by anecdote. Bankers' competitive drive to make their institutions ever bigger brought us the financial crisis. Big Pharma, led by penny-pinching profit maximizers, can't come up with new drugs. Big Food pollutes our water and our air to squeeze an extra penny per pound out of every hog. In each case, the competitive forces that are supposed to improve our well-being make us worse off instead. "Our instinct and our talent for working together," Ms. Heffernan says, "are just as strong and more productive than the

competitive instinct that pits us against each other."



A Bigger Prize

By Margaret Heffernan
(PublicAffairs, 391 pages, \$27.99)

You can see that this line of reasoning is likely to be pleasing to anyone eager to be reminded that winning isn't everything. But for every small-is-beautiful anecdote the author offers up, one could offer just as compelling an anecdote illustrating the contrary.

Before the banking crisis that began in 2008, for example, came the savings-and-loan crisis of the 1980s. The country's 4,000 savings and loans were overwhelmingly small, community-focused businesses of the sort Ms. Heffernan praises. Four out of five were owned by their depositors. These virtues did not keep the savings and loans from making enough bad loans to require a \$160 billion federal bailout in which more than 1,000 institutions vanished.

Whatever the venality of Big Food, cooperatives serving the interests of their members can be just as venal. The crimes for which Richard Nixon was investigated included accepting bribes and illegal campaign contributions from dairy co-ops that were working on behalf of their 60,000 farmer-members. And helping members can mean hurting the public, even without breaking the law—witness Japan's powerful farm cooperatives, which secure politicians' favor in order to maintain a near-total ban on rice imports, taxing consumers to benefit Japanese farmers.

Ms. Heffernan is a particular fan of employee ownership and offers gushing profiles of such exemplars as Publix Super Markets. Employee-owned firms "change fundamentally the way people in them think about their colleagues and about themselves," she writes. "You need fewer rules because trust is high; after all, if you own part of the company, you don't need anyone to tell you not to waste money or time." That facile "after all" blithely asserts a logical connection where none exists. Employee-owners, after all, controlled about 30% of the shares of both Lehman Brothers and Bear Stearns before they went belly-up in 2008. That does not seem to have engendered trust or prudence.

The claim that large, profit-driven firms are harmful to society has a venerable history in the United States. Perhaps no company was ever more vilified for its bigness than the Great Atlantic and Pacific Tea Co., which from 1920 to the 1960s was the largest retailer in the world. From the 1910s to the 1950s, as it cut out wholesalers and demanded volume discounts from food manufacturers, A&P was criticized for destroying the local merchants that formed the backbone of small-town America and the satisfying jobs they provided. Federal and state governments tried to cripple its business by prohibiting discounting; the Justice Department even won an antitrust case claiming that the company was selling food too cheaply. The fact that A&P's economies of scope and scale saved shoppers 15% or 20% on groceries didn't get much respect, just as Ms. Heffernan doesn't much value the role that big businesses

play in lowering costs today.

Yes, competition drives many companies to act in socially harmful ways, and competition within firms can get in the way of collaboration. But the fact that competition can be dysfunctional does not mean that scope and scale are economists' fictions. Size does matter, and competition, while no panacea, does force people to find better ways of doing business. I have a hunch that Ms. Heffernan knows that. She could have placed "A Better Prize" with one of the country's hundreds of small, marginally profitable independent presses. Instead, she turned to a large publisher with the economies of scale, the marketing heft, and the competitive drive to sell her book.

Mr. Levinson's most recent book is "The Great A&P and the Struggle for Small Business in America."

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