

A Brief Response To The Critique That Capitalism Is A “Zero-Sum” Game

I was recently reading a post by Adrian Iliopoulos over at “The Quintessential Man” blog entitled “The Game Theory Mindset – How to Make Better Decisions”. It was a great blog post, and it got me thinking on the concept of zero-sum games, capitalism, and capitalism’s critiques. And while there are some more valid, or well-thought out critiques of this economic system, the claim that capitalism is a zero sum game is not one of them. In fact, it is intellectually lazy, and the claim is based off of a very basic misunderstanding of capitalism, often conflating it with some kind of mix of corporatism, nepotism, or just all-around corruption. This response will be brief, as that is all that is warranted.

So firstly, what is a zero-sum game? In his book, *Theory of Games and Economic Behavior*, Hungarian-American mathematician John von Neuman and Oskar Morgenstern defined it like this:

“A zero-sum game is a game where if the total gains of the participants are added up and the total losses are subtracted, they will sum to zero. Poker and gambling are popular examples of zero-sum games since the sum of amounts won by some players equals the combined losses of the others.”

So does capitalism fit this definition? Is capitalism little more than poker, or general gambling? The answer, which should be immediately evident, is no. In the capitalist system, people trade something of value, for something else they see as having more value. In a way, it’s bartering, 2.0. In basic bartering, if I want John’s milk, I go to him, and ask what he wants for his milk. John is cold, and would like to make a new sweater, so he asks for my cotton and threading. If I value having some milk to drink more than I value my cotton and threading, I will give it to him, in exchange. Capitalism makes this process more efficient by introducing another a 3rd element into the equation that allows me to purchase his milk, *and* keep my cotton and threading. This 3rd element is money. And I receive that money via the very same bartering technique – a job worked, a product produced, or services rendered, for money. Then I use that money to go to John, and I give him the money to buy his milk. I get the milk, and John goes to my employer and buys the sweater I knitted. The employer gets paid, and John gets the sweater. So not only has everyone gotten what they wanted, we’ve actually grown our sphere of influence and participation. More people benefited. Basic bartering, at the end of the day, is a simple trade between two people. But capitalism streamlined the process, allowed more than just the original two

to gain, and all of us ended up with exactly what we wanted. Does that sound like a game of poker? Sure, more than 2 people can play. But with poker, there is a pot. And there is only one winner. The end result isn't someone gets the money, while the other players get something of more value after having lost. At its core, capitalism is so far removed from the concept of a zero-sum game as to be a laughable as a critique. It is ignorance of the highest caliber. Capitalism allowed all involved to get exactly what they wanted. None were in a state of loss, at the end. And not only that, it involved more people, and all of those involved profited. That is how an economy grows.

And that's why the critique that capitalism is a zero-sum game is fruitless, immature, and intellectually lazy.

I hope you enjoyed it, and got something from that.