Raise the Bar, Open the Gate

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> This essay argues that two things usually set against each other, open market competition and the goal that nobody gets priced out of the essentials, work better together than apart. It uses my own small company as a test case, and the test is about a month old, so it proves nothing yet. I am not an economist. The essay draws on economists, court rulings and Adam Smith's own text, says where each claim comes from and how much of each source was read, and gives the strongest case against me a full section. It names no politician and no party, and it is not an argument for voting any particular way.

Words worth knowing

The words this essay leans on, each explained twice: first in plain English, then in one line for the expert.

Competition

Sellers trying to win the same customers by being better or cheaper, with nothing stopping a new seller from trying too.

> FOR THE EXPERT rivalry among actual and potential suppliers, treated here as a process of entry, imitation and exit instead of the textbook state of perfect competition.

Entry barrier

Anything that keeps a new seller out of a market, like a locked gate in front of a shop street.

> FOR THE EXPERT a cost or legal restriction borne by entrants and not by incumbents, including licensing rules, exclusive contracts and paid-for delay.

Rent seeking

Spending effort to get a rule made in your favor instead of making a better product.

> FOR THE EXPERT competing for the rents that government restrictions create. Anne Krueger introduced the label in 1974; the Concise Encyclopedia of Economics credits the idea to Gordon Tullock in 1967.

Regulatory capture

When the people being regulated end up steering the regulator.

> FOR THE EXPERT the "central thesis" of George Stigler's 1971 paper, that "as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit."

Markup

How far a price sits above what it costs to make one more unit.

> FOR THE EXPERT the ratio of price to marginal cost, estimated from firm accounts by methods whose results economists dispute.

Market concentration

How much of a market belongs to its few biggest sellers.

> FOR THE EXPERT a share measure that can rise nationally while falling locally, and that is not the same thing as market power.

Social market economy

Germany's name for a market economy with a referee and a safety net.

> FOR THE EXPERT the postwar order named by the economist Alfred Müller-Armack and shaped by Walter Eucken's Freiburg School, built on a legally protected competition order plus social protection.

Market socialism

An economy where the public or the workers own the firms but markets still set prices.

> FOR THE EXPERT a family of proposals that keep social ownership of the means of production while using markets to guide production.

Nordic model

How the Nordic countries run things: open markets, strong unions and a big welfare state paid for by high taxes.

> FOR THE EXPERT in the words of six Nordic economists writing mainly about Denmark, Finland and Sweden, "a combination of collective risk sharing and openness to globalization."

Public good

Something one person can use without using it up, and that nobody can be stopped from using.

> FOR THE EXPERT a good that is both non-rivalrous and non-excludable; the standard prediction is that free markets supply too little of it, because people can free ride.

Open source

Software whose code anyone can read, use and improve for free.

> FOR THE EXPERT collaboratively developed software under licenses that permit use, modification and redistribution.

Predatory pricing

Selling below cost to drive rivals out, planning to raise prices once they are gone.

> FOR THE EXPERT under the Supreme Court's 1993 Brooke Group test, a claim needs prices below an appropriate measure of the seller's own costs and a reasonable prospect, or a dangerous probability, of recouping the loss.

Loss leader

A product sold at a loss to pull you toward something else the seller makes money on.

> FOR THE EXPERT below-cost pricing on part of a range, which Chen and Rey model as a way for large retailers to exercise market power.

Zero price effect

People reach for a free thing more eagerly than the small saving explains.

> FOR THE EXPERT the finding of Shampanier, Mazar and Ariely that people act as if a zero price adds to a good's benefits as well as cutting its cost.

The sentence I started with

I came to this essay with a sentence I liked. It went: what we have is not real capitalism, it is a fake version where corruption blocks competition; real competition puts good people in power, and they do good with it; and the goals people call socialist can live happily inside that.

I also had a test case, which is me. I run a one-person company in Pawtucket, Rhode Island. I charge for one thing, consulting on AI. Everything else I make, I give away.

Before repeating the sentence, I checked it. One part held up, one turned out to be an old idea with a name, and one did not survive.

What Adam Smith was afraid of

People who defend markets quote Adam Smith on the butcher and the baker. He did write that. He also wrote this, in the same book:

"People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

He did not think a law could stop such meetings. He thought the law "ought to do nothing to facilitate such assemblies, much less to render them necessary."

And at the end of the first book of *The Wealth of Nations* he wrote the passage I think about most. "To widen the market and to narrow the competition is always the interest of the dealers." Widening the market is often fine for the public, he says. Narrowing the competition "must always be against it." Then comes his advice about any new rule of commerce proposed by the dealers themselves. It "ought always to be listened to with great precaution." It comes, he wrote, "from an order of men whose interest is never exactly the same with that of the public."

So a writer often quoted in praise of markets was, as I read him, praising competition, and warning that the people inside a market will try to close it behind them.

The gate has a name

Economists later gave this a vocabulary. The locked gate is an entry barrier. Working to get it locked is rent seeking. When the regulator ends up holding the key for the industry, that is regulatory capture. In 1971 George Stigler proposed, as a general hypothesis, that "every industry or occupation that has enough political power to utilize the state will seek to control entry." In 1974 Anne Krueger described how government restrictions "give rise to rents of a variety of forms, and people often compete for the rents." Her estimates were for India and Turkey in the 1960s, and I do not claim them for the United States today.

One line of hers explains the feeling behind my sentence: "The perception of the price system as a mechanism rewarding the rich and well-connected may also be important in influencing political decisions about economic policy." My reading of that: when people see the gate being locked, they stop trusting the market itself.

I called this corruption. That word is mine and it is too broad. Most of what these economists describe is legal: licensing rules, lobbying, contracts. Here are three court rulings and one peer-reviewed study.

In North Carolina, six of the eight members of the state dental board had to be practicing dentists. Starting in 2006 the board sent at least 47 cease-and-desist letters to people who were not dentists and who offered teeth whitening services or made the products. In 2015 the Supreme Court ruled, six to three, that a board controlled by active participants in the market it regulates can claim immunity from antitrust law only if the state actively supervises it. It wrote that active market participants "cannot be allowed to regulate their own markets free from antitrust accountability."

In Louisiana, the monks of St. Joseph Abbey sold simple wooden caskets. The state board held that only licensed funeral directors could sell caskets to the public, and in 2007 it ordered the Abbey to stop. In 2013 one federal appeals court ruled for the Abbey. It wrote that "neither precedent nor broader principles suggest that mere economic protection of a particular industry is a legitimate governmental purpose," while allowing that a rule with some other rational basis can stand. The same opinion notes that another appeals court had upheld a similar rule.

Also in 2013, the Supreme Court considered deals in which a brand-name drug maker pays a would-be generic rival, and the rival stays out of the market. It wrote that "patent-related settlement agreements can sometimes violate the antitrust laws," and it put the worry in one line: "The patentee and the challenger gain; the consumer loses." The Court was ruling on a complaint that had been dismissed. It held that the lawsuit should have been allowed to proceed, with the agency still having to prove its case. It did not find any company liable.

And a study by Morris Kleiner and Robert Kudrle compared states with stricter and looser licensing for dentists, using the dental health of incoming Air Force personnel. Its summary says that "tougher licensing does not improve outcomes, but it does raise prices for consumers."

A fair reader will note what these do not show. Licensing can protect buyers who cannot judge quality, and the dentistry study's own summary says stricter licensing may raise demand by reducing uncertainty about quality. It is one profession, in a study published in 2000. And three rulings are three rulings.

A libertarian reader will note something else. In most of these examples the gate was locked with the government's own key. That is Stigler's point, and it cuts against anyone, me included, who wants a referee. The German answer, which comes up below, is a referee bound by rules whose job is to keep entry open. Whether a referee can stay uncaptured is an open question and I do not settle it here.

How much of the economy is like this

Here my sentence claimed too much. I wanted to say the whole system is fake. The evidence is disputed.

Jan De Loecker, Jan Eeckhout and Gabriel Unger estimated, in a paper published in 2020, that aggregate markups in the United States rose from 21 percent above marginal cost in 1980 to 61 percent in their latest data. Germán Gutiérrez and Thomas Philippon argue that declining competition is "partly responsible" for weak business investment, and report "some evidence that the increase in concentration can be explained by increasing regulations."

Other economists do not accept the size of this. Susanto Basu reviewed the markup estimates in 2019. He argued that "some of the startling findings of steeply rising markups are difficult to reconcile with other evidence and with aggregate data," and that existing methods "cannot determine whether markups have been stable or whether they have risen modestly." He added that even small increases could matter. Chad Syverson, in the same journal, pointed to open questions where the macro evidence and the micro views of market power do not line up. Esteban Rossi-Hansberg and co-authors found that while market concentration rose nationally between 1990 and 2014, it fell in local markets, and that when a top firm opens a plant, local concentration "declines and remains lower for at least 7 years."

So I cannot honestly write that American capitalism is fake. I can write that the gate has been locked in specific, documented places, that Smith warned of it, and that economists disagree about how far it has gone.

The harmony already has a name

I started out calling my idea socialistic capitalism. A socialist would be the first to tell me that is the wrong label. The *Stanford Encyclopedia of Philosophy* defines socialism as a society where, at a minimum, the bulk of the means of production is "under social, democratic control." Market socialism keeps that ownership and uses markets to guide production. I am not proposing either one. I own my company. A socialist would say that ownership is the whole point, and that competition among private owners ends in concentration anyway. I do not answer that argument here. I only admit that my idea does not qualify as theirs.

What I mean is the goal: nobody priced out of medicine, knowledge or a fair look at their own bills. And for that goal sitting inside a competitive market, there is a name that dates from the 1940s. Germany calls it the social market economy. A reference entry published by Germany's civic education agency lists private ownership among its parts, and calls it fundamental to keep competition going through a working competition order that prevents practices on markets that restrict competition. It gives the aim as the greatest possible prosperity with the best possible social protection. The same entry says the extent of state intervention has been politically disputed again and again.

The Nordic model is the other example people reach for, and its own economists are careful about it. Six of them wrote in 2007: "While having large public sectors, the Nordics are also embracing the market economy and actions to foster competition." The same report lists strong labor unions and transfers to households as part of the model, so it is not competition alone. They warned that the model "is subject to a number of challenges that will put it under serious pressure and call for fundamental reform," and that a big welfare state has been "more viable in the Nordic countries than in many other cultural and political contexts."

So the claim that these principles can work together is not new and not mine. What I can add is a small experiment in one corner.

Free as a competitive act

Here is the experiment. On my company's site there is a drug-price spread checker, a health-plan price checker, a benefits guide, a diamond buyer's page, a stop-loss commission calculator, a commission calculator, an invoice maker, a CRM, a photo editor and a personality questionnaire. There are 16 essays before this one. At Gimble Gaming there are 67 browser games. The first free games went up in late October 2026. All of it is free. No ads, no accounts, no sign-up, nothing to buy inside the games. The sites count visits with Cloudflare's cookie-free statistics and nothing else, and the stricter tool pages block even that. There is an optional tip jar. I build these with AI, which is how one person can make this many things.

I could charge for some of this. I choose not to. That is my statement, and you cannot check it. What you can check is whether the things are good.

My reasoning is a competition argument, not a charity argument. If a free tool with no ads does the job as well as a paid one, the paid one has to get better or explain its price. That is what I mean by raising the bar. I do not need to win. I need to be good enough that the comparison is uncomfortable. Whether that has happened even once is something I cannot show yet.

There is precedent for free work mattering. A Harvard Business School working paper in 2024 estimated that firms would need to spend $8.8 trillion to build for themselves the open source software they use, if it did not exist. As to why people write it, a survey of 684 open source developers by Karim Lakhani and Robert Wolf found that the strongest driver was enjoyment, "how creative a person feels when working on the project." About 40 percent of them were also being paid to take part. Josh Lerner and Jean Tirole gave the less romantic account: labor economics, especially the study of career concerns, "can explain many of these projects' features." Career concerns means a reputation that pays off later.

Both apply to me. I enjoy this. And the free work sits on the same site as the consulting I charge for, so it also brings people to that.

The part that did not survive

My sentence said free competition leads to good people doing good with power. I went looking for the evidence. It is thinner than I wanted.

One study, by Katherine DeCelles and colleagues in 2012, found that among people who felt powerful, those with a strong moral identity were less likely to act in self-interest and those with a weak one were more likely to. That fits the idea that power reveals a person more than it changes them. But it is one survey and one lab experiment about a feeling of power, not about owning a market. A 2003 review by Dacher Keltner and colleagues says power is associated with "disinhibited behavior." I read that as the brakes coming off whatever was already there, which is my gloss, not theirs. And one well-known result in this area did not repeat. In 2023 two preregistered replications of the field studies behind the finding that higher-status people behave less ethically found "no evidence" of that relationship.

Smith, in his other book, called the "disposition to admire, and almost to worship, the rich and the powerful" the "great and most universal cause of the corruption of our moral sentiments," though in the same sentence he called it necessary to the order of society. As I read it, his worry was what power does to everyone watching the powerful.

On competition itself, the economist Andrei Shleifer made the opposite argument to mine in 2004. "When unethical behavior cuts costs," he wrote, competition drives down prices and incomes and so reduces sellers' "willingness to pay for ethical conduct." His first example is child labor: "if one firm hires children, it can reduce prices," and its competitors must do the same "or be driven out of business." It is an argument, not a measurement, and he adds that competition "might be good for ethical behavior in the long run" because it raises incomes.

There is some evidence on my side. Joseph Henrich and colleagues ran fairness games in 15 populations and found that those more integrated into markets showed more fairness. That is a correlation. And an experiment that seemed to show markets eroding morals was retested by Björn Bartling, Ernst Fehr and Yagiz Özdemir. They reproduced the result, traced it to repeated play instead of markets, and concluded that the data do not support the claim.

So here is the version I can defend. I found no evidence that competition picks good people. What it can do is limit how much harm anyone does, because customers can leave, and only where leaving is actually possible. That is my inference, and a weaker claim than the one I started with. Good people doing good with power is a hope. Open gates are a mechanism.

The case against me

Free can be predatory. Giving something away to kill rivals and then raising the price is an old strategy. In 1993 the Supreme Court, quoting an earlier decision of its own, said such schemes "are rarely tried, and even more rarely successful." Economists Patrick Bolton, Joseph Brodley and Michael Riordan

answered that it is the consensus view in economics that predatory pricing "can be a successful and fully rational business strategy." Zhijun Chen and Patrick Rey modeled the loss leader: large retailers can exercise market power with below-cost prices on some products, in a way that "hurts the smaller rivals as well." Free also bends choices. Researchers call it the zero price effect: in one small experiment, people reached for a free chocolate far more than the one-cent saving explains. If my free tools pulled people away from a better paid product, I would be lowering the bar. My only defense is size: these arguments are mostly about sellers with market power, and I have none. That defense expires if this works.

Free is often not free. In 2024 the Federal Trade Commission, announcing a report by its staff, said it shows that major social media and video streaming services "engaged in vast surveillance of consumers in order to monetize their personal information." That is a staff report, not a court ruling. When a product costs nothing, it is fair to ask who is paying. In my case the answer today is my consulting clients, and me.

One person's month proves nothing. Correct. I have no results to show.

Who pays for free. The textbook says a public good gets under-supplied, because everyone can use it and nobody has to pay. My tools are not even a pure public good. I could put up a paywall tomorrow, so keeping them open is a choice I have to keep funding. A 2016 Ford Foundation report by Nadia Eghbal said that public code is "built and maintained almost exclusively by unpaid volunteers," and that the work required "is in desperate need of institutional support." The Harvard paper estimated that 5 percent of open source developers created 96 percent of the value to users. Free work can rest on very few people. I am one person. If the consulting dries up or I burn out, the tools stop being maintained.

Charity is not a system. The political scientist Rob Reich has said that big philanthropy "can indeed be a good thing," but that it "is an exercise in power" and "the response it deserves is not gratitude but scrutiny." He is writing about the very rich, which I am not, so I apply him by analogy. But the analogy bites. Nobody elected me to decide which tools should be free. A drug-price checker is not a fix for drug prices. If people need my calculator to avoid being overcharged, the overcharging is still there. The countries I cited above do it with law, taxes, unions and institutions, not with volunteers.

These objections are right that my experiment cannot stand in for policy. It can only test one narrow question: can a product that is free, clean and good force better behavior from products that are not?

What would count as proof

I said this is something to be proven, so here is the test, with a date.

On November 15, 2027, I will publish a follow-up with real usage numbers and a plain yes or no on whether the consulting alone covers the costs, whatever the answers are.

It counts toward my claim if, on that date: every tool and game listed here is still free, with no ads, no accounts and no sign-up; the paid consulting alone covers the cost of keeping it all running; the usage numbers show people use the tools; and I can point to at least one case, documented in public, where a paid or ad-funded product changed its price or its terms and cited free alternatives, or where another maker copied this model.

It counts against my claim if I have added a paywall, ads or a required sign-up to anything that is free today, stopped maintaining the tools, or cannot show real usage, covered costs or a single outside effect. If I start charging after people depend on the tools, I will have become the pattern described in the section above, and you should say so.

Even a pass would be one case: one person, one year. It would show nothing about scale or about a country.

Smith's warning was about dealers who narrow the competition. My plan is to do the reverse where I can: get inside, and leave the gate open. Whether that is a strategy or just a nice thing to say is what the next year is for.

Sources and method

Every source below was reopened on November 15, 2026. "Abstract" means only the paper's published summary was read.

Adam Smith: *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Book I, chapter II (the butcher and baker) and chapter X, part II ("People of the same trade"), read at marxists.org; Book I, conclusion of chapter XI ("To widen the market"), read at Wikisource. *The Theory of Moral Sentiments* (1759), Part I, Section III, chapter III, read at marxists.org; the two quoted phrases come from one sentence and I left out the words between them, which include the remark that the disposition is necessary to the order of society. Punctuation differs slightly between editions.

Rent seeking and capture: George J. Stigler, "The Theory of Economic Regulation," *Bell Journal of Economics and Management Science* (1971), read in a scanned copy of the article hosted by San Jose State University. Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review* (1974), the American Economic Association's copy of the article. David R. Henderson, "Rent Seeking," *Concise Encyclopedia of Economics*, for the attribution to Gordon Tullock (1967), whose paper I could not open.

Cases, each read in full text: *North Carolina State Board of Dental Examiners v. FTC* (U.S. Supreme Court, February 25, 2015), a ruling about antitrust immunity. *St. Joseph Abbey v. Castille* (U.S. Court of Appeals for the Fifth Circuit, March 20, 2013), from the court's own copy; the other appeals court's ruling is described only as this opinion describes it. *FTC v. Actavis* (U.S. Supreme Court, June 17, 2013), which sent a dismissed complaint back to proceed and did not find any company liable. *Brooke Group v. Brown*

& Williamson Tobacco (U.S. Supreme Court, June 21, 1993), where the Court was quoting its 1986 *Matsushita* decision. The Supreme Court opinions were read at Cornell's Legal Information Institute. Morris M. Kleiner and Robert T. Kudrle, "Does Regulation Affect Economic Outcomes? The Case of Dentistry," *Journal of Law and Economics* (2000), abstract.

Concentration and markups: Jan De Loecker, Jan Eeckhout and Gabriel Unger, "The Rise of Market Power and the Macroeconomic Implications," *Quarterly Journal of Economics* (2020), abstract; the earlier version, NBER Working Paper 23687 (2017), gave 18 and 67 percent. Germán Gutiérrez and Thomas Philippon, NBER Working Paper 23583 (2017), abstract. Susanto Basu and Chad Syverson, separate articles in the *Journal of Economic Perspectives* (Summer 2019), abstracts. Esteban Rossi-Hansberg, Pierre-Daniel Sarte and Nicholas Trachter, NBER Working Paper 25066 (2018), abstract.

Names for the mix: "Socialism" and "Public Goods," *Stanford Encyclopedia of Philosophy*. "Soziale Marktwirtschaft," *Das Lexikon der Wirtschaft*, Bundeszentrale für politische Bildung; the translation is mine. Torben Andersen, Bengt Holmström, Seppo Honkapohja, Sixten Korkman, Hans Tson Söderström and Juhana Vartiainen, *The Nordic Model: Embracing globalization and sharing risks* (ETLA, 2007), which concentrates on Denmark, Finland and Sweden.

Free goods: Josh Lerner and Jean Tirole, "Some Simple Economics of Open Source," *Journal of Industrial Economics* (2002), abstract. Karim Lakhani and Robert Wolf, "Why Hackers Do What They Do" (2003), abstract. Manuel Hoffmann, Frank Nagle and Yanuo Zhou, "The Value of Open Source Software," Harvard Business School Working Paper 24-038 (2024), abstract; a working paper's estimate. Kristina Shampanier, Nina Mazar and Dan Ariely, "Zero as a Special Price," *Marketing Science* (2007); in the experiment I mean, the free chocolate's share of the chocolates chosen went from 27 to 69 percent, a small-stakes result I do not lean on. Patrick Bolton, Joseph Brodley and Michael Riordan, "Predatory Pricing: Strategic Theory and Legal Policy," the copy hosted by the U.S. Department of Justice. Zhijun Chen and Patrick Rey, "Loss Leading as an Exploitative Practice," *American Economic Review* (2012), abstract. Federal Trade Commission press release of September 19, 2024, and the staff report it announces, *A Look Behind the Screens*; the quoted words are the press release's. Nadia Eghbal, *Roads and Bridges* (Ford Foundation, 2016), quoted from the foundation's page for the report.

Power and morals: Katherine DeCelles, Scott DeRue, Joshua Margolis and Tara Ceranic, *Journal of Applied Psychology* (2012), abstract, read on a university mirror. Dacher Keltner, Deborah Gruenfeld and Cameron Anderson, *Psychological Review* (2003). Minah Jung, Paul Smeets, Jan Stoop and Joachim Vosgerau, *Journal of Experimental Psychology: General* (2023), abstract, read on university records. Andrei Shleifer, "Does Competition Destroy Ethical Behavior?" *American Economic Review* (2004), read as the working paper in Harvard's repository. Joseph Henrich and others, *Science* (2010). Björn Bartling, Ernst Fehr and Yagiz Özdemir, *Review of Economics and Statistics* (2023), abstract.

Philanthropy: Rob Reich, interviewed by Melissa De Witte for Stanford News (December 3, 2018) on his book *Just Giving*, read as republished by the Greater Good Science Center.

What could not be opened on November 15, 2026: Tullock's 1967 paper; Philippon's book *The Great Reversal*, which is why it is not cited; the full text of most of the papers marked "abstract" above; the two original studies that the 2023 retests examined, which are described only through the retests; the journal's own copies of the DeCelles and Jung papers; and Reich's book. Nothing here rests on a source that could not be opened.

I used AI to research and draft this, under my direction, with an instruction to grade every claim by its source and to argue against my starting view. A second pass by the same AI session reread the draft as an academic economist, a skeptical socialist, a skeptical libertarian and a defamation lawyer. Then a separate AI session that had not written the draft reopened every source and checked each quotation, number and case description against it. The reading tool returns text in short pieces, so long sentences were checked piece by piece. That recheck changed a fact and several wordings. Earlier drafts listed Norway in the Nordic report, which sets Norway aside. They gave markup figures from a working paper (18 to 67 percent) where the published article has 21 to 61. They joined two halves of a sentence about open source so that it said something its author did not. They presented Stigler's hypothesis as a finding, and they left out the half of Smith's sentence that calls admiration of the rich necessary. Those are corrected here. An AI checking an AI is a second and third look, not an independent human audit, and the errors that remain are mine.