



The Miracle and Morality of the Market

Richard M. Ebeling

Have you ever stopped to think about how much of the world around us we take for granted? How often do any of us reflect on the law of gravity that keeps the moon revolving around the earth or on the chemical workings of our internal organs after we have eaten a meal? Yet whether we think about or even understand the law of gravity or the processes of chemical reactions, the moon continues to travel around the earth and the food we normally eat continues to be digested. These physical and biological processes operate whether or not we think about or understand them.

If the wonders of the physical world and the complexities of our own biology often seem miraculous to us, we should be no less awestruck at the miracle of the marketplace. Just as the forces of gravity and the internal chemistry of our bodies operate without conscious human intervention and control to direct or regulate them, so too the market brings together the actions of multitudes of producers with the desires and demands of an equivalent multitude of buyers with no central directing and commanding hand overseeing the processes at work. Just as most of nature and much of human biology are “self-regulating,” so too is the greater part of our economic activities in society.

The Market Knows More than We Can Ever Master

Day in and day out we give little thought to the vast and complex array of economic processes, which if they were to stop or severely malfunction would mean



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hardship or even disaster for many of us. The supermarkets are daily replenished with wide varieties of fruits, vegetables, meats, canned and packaged goods, dairy products, and many other items. We crowd the shopping malls and find them filled with practically every conceivable commodity we can imagine, with each of them offered in attractive and diverse varieties. Just think of the wide spectrum of shoes and clothes placed at our disposal in those malls as an example of this. And if we do not want the inconveniences and irritations of crowded shopping areas, a growing number of us now do an increasing amount of our shopping over the internet with the mere click of the “mouse.”

We should be awestruck at the miracle of the market. No mastermind is needed to produce all that is available to us each and every day.

Even if we wanted to fully understand how all those goods are actually brought to the marketplace for our various wants and desires, virtually none of us would be able to trace through all the intricate ways by which our demands are satisfied. Back in 1958, Leonard Read, the founder of FEE, wrote a famous essay titled “I, Pencil.” He outlined a history of manufacturing a simple old-fashioned wooden pencil, from a tree being cut down in a forest and the mining of the graphite in a faraway country to its assembly and finished form so that it might be readily available for purchase by any of us in some neighborhood store. Read’s central insight was to remind us that no one individual or even wise and informed group of us possesses all the knowledge or information that has gone into that pencil’s manufacture.

Furthermore, it is not necessary for anyone to fully understand the processes involved in making that pencil for it to be available to us and our uses for such a writing instrument. Indeed, if it were required for some mastermind to know all that is needed to know to make all of the goods offered to us everyday on the market, the variety of goods available to us would be both fewer in number and poorer in quality.

Market Competition and the Price System

How are the activities of an increasingly larger group of individuals successfully coordinated, so that all the multitudes of demands and supplies are brought into balance and harmony? The Austrian economist and Nobel Laureate Friedrich Hayek showed how all of the knowledge and information in society can be encapsulated in the price system of the free-market economy. In our roles as both consumers and producers we communicate to one another what we think goods, resources, capital, and labor services are worth to us in their various and competing uses through the prices we are willing to pay for them. These “price signals” serve as the means for all of us to decide and coordinate what we want and are willing to do together with other members of society.

Mutual agreement and voluntary consent are the bases of market relationships, not the police power of the government.

Thus, and indeed quite miraculously, it is not necessary for an “economic czar” to rule over and command us in our everyday market activities to assure that a vast quantity of food gets to the supermarkets or that thousands of different varieties of goods are constantly available in the shopping malls or other stores and businesses throughout the land. Each individual finds his own corner of specialization — guided by those opportunities, expressed in market prices, that seem to offer the greatest likelihood of earning an income that will enable him to buy from others all of the goods he himself desires.

Competition in these voluntary interactions of the market helps us to discover where each of us can best serve our fellow men within the system of division of labor while pursuing our own personal interests. The competitive process tests us through the reward of profits and the penalties of losses. Profits lure us into those

production activities that our neighbors, as consumers, want us to do more of. Losses warn us that we have undertaken production actions that those same neighbors think are not worth the costs of our continuing to do them in the same way.

No overseer’s whip is needed to prod people to do more of some things and less of others. No paternalistic planner is needed to assure that everything that is wanted is produced and in the most economically cost-efficient way. No restraining regulations and controls are needed to hamper the free choices and actions of the multitudes of millions in society — other than the crucial and general legal rules against murder, theft, and fraud in our dealings with one another.

Mutual agreement and voluntary consent are the bases of these market relationships. It is not the police power of the government, with its use or the threat of violence and force, that compels the cooperation and collaboration of humanity.

The Morality of Market Relationships

There is also an important moral element in this functioning free-market economy. There are none who are only masters and others who are simply servants. In the market society we are all both servants and masters, but without either force or its threat. In our roles as producers — be it as men who hire out our labor for wages, resource owners who rent out or sell our property for a price, or entrepreneurs who direct production for anticipated profits — we serve our fellow men in attempting to make the products and provide the services we think they may be willing and interested in buying from us.

“Service with a smile” and “the customer is always right” are hallmarks of the seller’s deference to those to whom they offer their supplies. What motivates such attitudes is the fact that in an open, competitive market no one can compel us to buy from a seller who offers something less attractive or more costly than what some rival of his is presenting to us for our consideration.

And why are we interested in not offending or driving away some potential customer into the arms of our rival suppliers? Because only by successfully making the better and less expensive product can we hope to earn the income that then enables us to re-enter the market, now in the role of consumer and demander of what our neighbors are offering to sell to us.

As consumers, we become the “masters” who those same neighbors attempt to satisfy with newer, better, and cheaper products. Now those whom we have served defer to us. We “command” them, not through the use of force but through the attraction of our demand and

the money we offer for the goods they bring to the market. By how much we can “command” the service of others in the market in our role as consumer is directly related to the extent we have been successful in our service to our neighbors as reflected in the money income we have earned from satisfying their wants and desires.

In the free society no man is compelled to supply anything he considers morally wrong. We change people’s market decisions through reason and example.

In a free society, no man is required to do work or supply any good he considers morally wrong and ethically questionable. He may earn less from choosing to supply something that is valued less highly in the market, but he cannot be forced to produce anything that God and/or conscience dictates to be wrong.

On the other hand, we cannot prevent others from supplying a good or service we find morally objectionable. The ethics of liberty and the free market require that we use only morally justifiable means to stop our neighbors from demanding and supplying something that offends us. We must use reason, persuasion, and example of a better and more right way to live.

Unfortunately, too many of our fellow men want to preserve or extend a return to a form of a slave society — regardless of the name under which it is presented. Too many want to dictate how others may make a living, or at what price and under what terms they may peacefully and voluntarily interact with their fellow human beings for purposes of mutual material, cultural,

and spiritual betterment.

Moral Courage for Winning Freedom

Our task, for those of us who understand and care deeply about human liberty, is to reawaken in our fellow men an awareness of the miracle and morality of the market. The task, I know, seems daunting. But it must have seemed that way to our American Founding Fathers when they heralded the truth of the unalienable rights of man for which they fought and then won a revolution, or when advocates of economic freedom first made the case for the free market.

The world was transformed by these ideals of the morality of free men in free markets. What is most important is that each of us understands as best we can the miracle and the morality of the market economy. Too often the friends of freedom allow the advocates of various forms of government regulation, control, and redistribution to set the terms of the debate. Freedom will not win if we do not put those proponents of political paternalism on the defensive.

Too often we let the opponents set the terms of the debate. We must put the political paternalists on the defensive.

By what moral right do they claim to tell other men how to peacefully go about their private and market affairs — as long as those men do not use murder, theft, or fraud in their dealings with others? By what ethical norm do those political paternalists declare their right to take that which others have honestly acquired through

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production and trade, and redistribute it without the voluntary consent of those from whom it has been taken? By what assertion of superior wisdom and knowledge do they presume to know more than the individual minds of all the members of society about how the market should go about the business of manufacturing all the things we want, and matching the demands with the supplies?

Defenders of individual freedom and the market economy have nothing to be ashamed or fearful of in advocating the free society. The American system of limited government, personal liberty, and free enterprise liberated the individual creativity and energies of many millions of people. It provided the greatest opportunity for individual betterment and the highest standard of living ever experienced in human history. It also generated the most charitable and philanthropic society in the world. Therefore, it should be the critics and opponents of this system of individual freedom that should have to justify their continuing calls for reducing our liberty.

It was clear thinking and moral courage that won men liberty in the past. Liberty can triumph again, if each of us is willing but to try. We need to take to heart the words of the free-market Austrian economist and long-time FEE senior adviser, Ludwig von Mises:

Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping towards destruction.... What is needed to stop the trend toward socialism and despotism is common sense and moral courage.

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Friday, February 20, 2004

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Dr. Richard Ebeling

President, Foundation for Economic Education

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