The Market is a Beautiful Thing

Market advocates tend to respect the intellect of their fellow human beings. You can tell by their reliance on philosophical, moral, economic, and historical arguments when trying to persuade others. But what if most people's aversion to the market isn't founded in philosophy, morality, economics, or history? What if their objection is aesthetic?

More and more I've come to think this is the case, and I believe I witnessed an example recently at a lecture I gave at St. Lawrence University. During the Q&A a woman asked, in all sincerity, why society couldn't do without money, since so many bad things are associated with it. She also suggested that cooperation is better than market competition. I replied that since money facilitates exchange and exchange is *cooperation*, it follows that money facilitates *cooperation* — a lovely thing, indeed. Government, I added, corrupts money.

I also said that competition is what happens when we are free to decide with whom we will *cooperate*. I don't know if my response prompted her to rethink her objections to the market, but I am confident her objection was aesthetic. For her, money and competition are ugly. Perhaps I didn't respond on an aesthetic level; it's something I have to work on. But I tried, and so must we all when we encounter these sorts of objections.

Like that nice woman, many decent people dislike markets because they find them unattractive. And they associate markets with other things they find unattractive besides money and competition: (rugged, atomistic) individualism, selfishness, and profit. F.A. Hayek noticed this, writing in "Individualism: True and False" (PDF), "the belief that individualism approves and encourages human selfishness is one of the main reasons why so many people dislike it." If that's the case, philosophical, moral, economic, and historical arguments may fall on deaf ears. The objections must be met on an aesthetic level.

In other words, advocates of free markets must demonstrate that markets are things of beauty. Fortunately, that is not hard to do.

The freed market is a political-legal setting in which people are at liberty to peacefully pursue their chosen plans. This activity generates, unintentionally, an undesigned order that facilitates cooperation and coordination among even distant strangers, making each person's pursuit more effective and efficient than otherwise. The price system is the primary means by which this is accomplished. To many people, the price system seems impersonal and cold, but it's the key to the market's beauty, for it is what gives the market its *coordinative and corrective power*, which, although generated by individuals' purposive action, transcends them. The market is beautiful not because it lives up to some mathematically elegant equilibrium model — but because it does not! It's beauty lies in its power to coordinate activities and correct errors. And it does this work without compulsion or authoritarian central direction. As a result, when truly free — no privileges, no arbitrary restrictions — the market gives all a better chance at living in any peaceful way they wish. How lovely!

That is where our emphasis should be placed. Frédéric Bastiat knew what he was doing when he called his (unfinished) magnum opus *Economic Harmonies*. His purpose throughout was to show that the market setting harmonizes people's deepest interests and enables them to further their own causes by cooperating with others through exchange. For him, a central feature of the market is its inexorable transfer of wealth from the private to the "communal domain," as technological innovation and competition increasingly substitute the gratis services of nature for arduous human labor. As a description of this harmony, his book is a work of art — as is Ludwig von Mises's *Human Action*, which is dedicated to showing that markets *are* social cooperation. (That nearly was the title of the work).

To most people the quintessential market "force," the law of supply and demand, seems sterile and cold, but it is the market's beauty in action, and we must find ways to communicate it in that way. Adam Smith saw it. Indulge me as I quote from *The Wealth of Nations* (bk. 1, chap. 7):

> *The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, labour, and profit, which must be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand; since it may be sufficient to effectuate the bringing of the commodity to market….*

> *When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather than want [do without] it altogether, some of them will be willing to give more. A competition will immediately begin among them, and the market price will rise more or less above the*

natural price....

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages and profit, which must be paid in order to bring it thither. Some part must be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink more or less below the natural price....

If at any time it [quantity] exceeds the effectual demand, some of the component parts of its price must be paid below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land; and if it is wages or profit, the interest of the labourers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labour or stock from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to its natural price.

If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand, some of the component parts of its price must rise above their natural rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity; if it is wages or profit, the interest of all other labourers and dealers will soon prompt them to employ more labour and stock in preparing and bringing it to market. The quantity brought thither will soon be sufficient to supply the effectual demand. All the different parts of its price will soon sink to their natural rate, and the whole price to its natural price.

The natural price, therefore, is, as it were, the central price, to which *the prices of all commodities are continually gravitating.*

This “mechanism” operates for all goods and services simultaneously. So when the market price of a good falls below the level sufficient “to bring it thither,” some producers will move to the production of other goods for which the market price is *above* the level required “to bring it thither,” setting in motion a lowering of the market price.The preferences of consumers — reflected in prices — tell producers: “We have enough of good X, but we need more of good Y.” And producers have an incentive to respond cooperatively and produce more of good Y. All this and more — the division of labor, for example — go on without command — if the market is free.

What could be lovelier!

Bastiat commented: “We should be shutting our eyes to the facts if we refused to recognize that society cannot present such complicated combinations in which civil and criminal law play so little part without being subject to a prodigiously ingenious mechanism.”

Not just prodigiously ingenious, monsieur. Beautiful!