
Free Will and the Marketplace

Free will is the starting point of all ethical thinking and it plays an equally important part in the business of making a living. If man were not endowed with this capacity for making choices, he could not be held accountable for his behavior, any more than could a fish or a fowl—an amoral being, a thing without a sense of morals. So, if man were devoid of this capacity, his economics would be confined to grubbing along on whatever he found in nature. It is because man is capable of taking thought, of making evaluations and decisions in favor of this or that course, that we have a discipline called economics.

In making his ethical choices, man is guided by a code believed to have the sanction of God; and experience has shown that the good life to which his instinct impels him can be achieved only if he makes his decisions accordingly. The Ten Commandments have been called the Word of God; they can also be described as natural law, and natural law has been described as nature's way of applying means to ends. Thus, we

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say that nature in her inscrutable ways has determined that water shall always run downhill, never up; that is a natural law, we say, because it is without exception, inevitable, and self-enforcing. Therefore, when we decide to build ourselves a house, we set it at the bottom of the hill so as to avail ourselves of a supply of water. If we put the house at the top of the hill, nature will not cooperate in our obstinacy and we shall not have any water in the house; unless, of course, we discover and make use of some other natural law to overcome the force of gravity.

That is to say, nature is boss and we had better heed her teaching when we make decisions or we shall not achieve the ends we desire. But, her teaching is not freely given; we must apply ourselves diligently to a study of her ways to find out what they are. The prerequisite for a successful investigation is to admit that nature has the secret we are trying to uncover; if we begin by saying that in this or that field nature has no laws, that humans make their own way without reference to nature, we shall end up knowing nothing.

If, for instance, we discard the Ten Commandments, declaring them to be mere man-made conventions changeable at will, we end in chaos and disorder—evidence that we are on the wrong track. Likewise, if we declare that God in His infinite wisdom chose to disregard economics, that in ordering the world he overlooked the ways and means for man's making a living, that in this particular field man has to work out his own formulas, we will end up with a poor living.

“ECONOMICS” WITHOUT PRINCIPLES

And that is exactly what has happened in the study of economics; many experts in this field are of the opinion that nature

can tell us nothing about the business of making a living; it is all a matter of human manipulation. That is why economics is so often a meaningless hodgepodge of expediencies, leading us to no understanding and no good end. I might add that the incongruities of ethical life, such as divorce, juvenile delinquency, international friction, and so on, are largely the result of the current conceit that there is no warrant for ethics in nature, no positive laws for moral behavior; but that is another subject.

I shall try to present some evidence that nature has her own rules and regulations in the field of economics, indicating that we had better apply ourselves to learning about them if we would avoid the obviously unsatisfactory results from relying on man's ingenuity. Come with me into the laboratory of experience, which is the source of much understanding.

THE FIRST PIONEER

Let us cast our mind's eye back to the time when there was no Madison, Wisconsin, or any other city west of the Alleghenies, when only the seed of a later social integration was planted here—when a lone frontiersman decided to settle on this spot of earth. The primary consideration which influenced his decision was the possibility of making a living here. He selected what later became Madison because the land was fertile, water was plentiful, the forests abounded with wood for his comfort, meat for his sustenance, and hides for his raiment. This was the workshop from which he could expect good wages for his efforts. Without benefit of economic textbooks, he hit upon a couple of economic laws: (1) production, or wealth, consists of useful things resulting from the application of hu-

man labor to natural resources; (2) wages come from production.

These laws, these precepts of nature, are still in force and always will be despite the efforts of some "experts" to rescind them. Often the yearning for manna from heaven obscures the fact that only by the application of labor to raw materials can economic goods appear, but the yearning is so strong that men ask government to play God and reproduce the miracle of the wilderness

Government, of course, can produce nothing, let alone a miracle; and when it presumes to drop manna on its chosen people, it simply takes what some produce and hands it over to others; its largess is never a free gift. And as for wages, they still come from production, even though there are sectarians who maintain that wages come from the safety vaults of a soulless boss. The consequences of disregarding these two dictates of nature are too well known to call for discussion.

Returning to our first pioneer, his initial wages are meager. That is because he is compelled by the condition of his existence to be a jack-of-all-trades, proficient in none. He produces little and therefore has little. But he is not satisfied with his lot for, unlike the beasts in the forest or the fish in the sea, man is not content merely to exist.

And here we hit upon a natural law which plays a prime role in man's economic life: he is the insatiable animal, always dreaming of ways and means for improving his circumstances and widening his horizon. The cabin built by the pioneer to protect himself from the elements was castle enough in the beginning; but soon he begins to think of a floor covering, of pictures on the wall, of a lean-to, of a clavichord to brighten his evenings at home, and, at long last, of hot- and cold-running

water to relieve him of the laborious pumping. Were it not for man's insatiability, there would be no such study as economics.

A NEIGHBOR ARRIVES

But the things the pioneer dreams about are unattainable as long as he is compelled to go it alone. Along comes a second pioneer, and his choice of a place to work is based on the same consideration that influenced his predecessor. What wages can he get out of the land? However, as between this location and others of equal natural quality, this one is more desirable because of the presence of a neighbor. This fact alone assures a greater income, because there are jobs that two men can perform more easily than can one man alone, and some jobs that one man simply cannot do. Their wages are mutually improved by cooperation. Each has more satisfactions.

Others come, and every accretion to the population raises the wage level of the community. In the building of homes, in fighting fires and other hazards, in satisfying the need of entertainment or in the search for spiritual solace, a dozen people working together can accomplish more than twelve times what each one, working alone, can do. Still, the wage level of the community is rather low, for it is limited by the fact that all the workers are engaged in the primary business of existence on a self-sustaining, jack-of-all-trades basis.

At some point in the development of the community it occurs to one of the pioneers that he has an aptitude for blacksmithing; and if all the others would turn over to him their chores in this line, he could become very proficient at it, far better than any of his neighbors. In order for him to ply this trade the others must agree to supply him with his needs. Since their skill at

blacksmithing is deficient, and since the time and effort they put into it is at the expense of something they can do better, an agreement is not hard to reach. Thus comes the tailor, the carpenter, the teacher, and a number of other specialists, each relieving the farmers of jobs that interfere with their farming. Specialization increases the productivity of each; and where there was scarcity, there is now abundance.

The first condition necessary for specialization is population. The larger the population the greater the possibility of the specialization which makes for a rising wage level in the community. There is, however, another important condition necessary for this division of labor, and that is the presence of capital. The pioneers have in their barns and pantries more than they need for their immediate sustenance, and are quite willing to invest this superfluity in other satisfactions. Their savings enable them to employ the services of specialists; and the more they make use of these services the more they can produce and save, thus to employ more specialists.

This matter of savings, or capital, may be defined as that part of production not immediately consumed, which is employed in aiding further production, so that more consumable goods may become available. In man's search for a more abundant life he has learned that he can improve his circumstances by producing more than he can presently consume and putting this excess into the production of greater satisfactions.

RESPECT FOR PROPERTY

Man has always been a capitalist. In the beginning, he produced a wheel, something he could not eat or wear, but something that made his labors easier and more fruitful. His judgment told him what to do, and of his own free will he chose

to do it. That makes him a capitalist, a maker and user of capital. The wheel, after many centuries, became a wagon, an automobile, a train, and an airplane—all aids in man's search for a better living. If man were not a capitalist, if he had chosen not to produce beyond requirements for immediate consumption—well, there would never have been what we call civilization.

However, a prerequisite for the appearance of capital is the assurance that the producer can retain for himself all he produces in the way of savings. If this excess of production over consumption is regularly taken from him, by robbers or tax collectors or the elements, the tendency is to produce no more than can be consumed immediately. In that case, capital tends to disappear; and with the disappearance of capital, production declines, and so does man's standard of living.

From this fact we can deduce another law of nature: that security in the possession and enjoyment of the fruit of one's labor is a necessary condition for capital accumulation. Putting it another way, where private property is abolished, capital tends to disappear and production comes tumbling after. This law explains why slaves are poor producers and why a society in which slavery is practiced is a poor society. It also gives the lie to the promise of socialism in all its forms; where private property is denied, there you will find austerity rather than a functioning exchange economy.

THE TRADING INSTINCT

The possibility of specialization as population increases is enhanced by another peculiarly human characteristic—the trading instinct. A trade is the giving up of something one has in order to acquire something one wants. The trader puts less

worth on what he possesses than on what he desires. This is what we call evaluation.

It is not necessary here to go into the theory, or theories, of value except to point out that evaluation is a psychological process. It springs from the human capacity to judge the intensity of various desires. The fisherman has more fish than he cares to eat but would like to add potatoes to his menu; he puts a lower value on fish than on potatoes. The farmer is in the opposite position, his barn being full of potatoes and his plate devoid of fish. If an exchange can be effected both will profit, both will acquire an added satisfaction. In every trade—provided neither force nor fraud is involved—seller and buyer both profit.

Only man is a trader. No other creature is capable of estimating the intensity of its desires and of giving up what it has in order to get something it wants. Man alone has the gift of free will. To be sure, he may go wrong in his estimates and may make a trade that is to his disadvantage. In his moral life too he may err. But, when he makes the wrong moral choice, we hold that he should suffer the consequences, and hope that he will learn from the unpleasant experience.

So it must be in his search for a more abundant life. If in his search for a good life the human must be allowed to make use of his free will, why should he not be accorded the same right in the search for a more abundant life? Many of the persons who would abolish free choice in the marketplace logically conclude that man is not endowed with free will, that free will is a fiction, that man is merely a product of his environment. This premise ineluctably leads them to the denial of the soul and, of course, the denial of God.

Those who rail against the marketplace as if it were a den of iniquity, or against its techniques as being founded in man's inhumanity, overlook the function of the marketplace in bring-

ing people into closer contact with one another. Remember, the marketplace makes specialization possible, but specialization makes men interdependent. The first pioneer somehow or other made his entire cabin; but his son, having accustomed himself to hiring a professional carpenter, can hardly put up a single shelf in a cabin. And today, if some catastrophe should cut off Madison from the surrounding farms, the citizens of the city would starve. If the marketplace were abolished, people would still pass the time of day or exchange recipes or bits of news; but they would no longer be dependent on one another, and their self-sufficiency would tend to break down their society. For that reason we can say that society and the marketplace are two sides of the same coin. If God intended man to be a social animal, he intended him to have a marketplace.

TRADERS SERVE ONE ANOTHER

But, let us return to our imaginary experiment. We found that as the pioneer colony grew in numbers, a tendency toward specialization arose. It was found that by this division of labor more could be produced. But this profusion from specialization would serve no purpose unless some way were found to distribute it. The way is to trade. The shoemaker, for instance, makes a lot of shoes of various sizes, but he is not interested in shoes *per se*; after all, he can wear but one pair and of one particular size. He makes the other shoes because other people want them and will give him in exchange the things he wants: bread, raiment, books, whatnot—the things in which his interests naturally lie. He makes shoes in order to serve himself, but in order to serve himself he has to serve others. He has to render a social service in order to pursue his own search for a more abundant life.

In our lexicon we refer to a business undertaking by the

government as a social service; but this is a misnomer, because we can never be certain that the service rendered by the government business is acceptable to society. Society is compelled to accept these services, or to pay for them even if unwanted. The element of force is never absent from a government-managed business. On the other hand, the private entrepreneur cannot exist unless society voluntarily accepts what he has to offer; he must render a social service or go out of business.

Let us suppose that this shoemaker is especially efficient, that many people in the community like his service and therefore trade with him. He acquires what we call a profit. Has he done so at the expense of his customers? Do they lose because he has a profit? Or, do they not gain in proportion to the profit he makes? They patronize him because the shoes he offers are better than they could make themselves or could get elsewhere, and for that reason they are quite willing to trade with him. They want what they get more than they want what they give up and therefore profit even as he profits.

If he goes wrong in his estimate of their requirements, if he makes the wrong sizes, or styles that are not wanted, or uses inferior materials, people will not patronize him and he will suffer a loss. He will have no wage return for the labor he puts in and no return for the capital—the hides and machinery—which he uses in making his unwanted product. The best he can do under the circumstances, in order to recoup some of his investment, is to hold a bargain-basement sale. That is the correlative of profits—losses.

No entrepreneur is wise enough to predetermine the exact needs or desires of the community he hopes to serve and his errors of judgment always come home to plague him. But, the point to keep in mind is that when an entrepreneur profits, he

does so because he has served his community well; and when he loses, the community does not gain. A business that fails does not prosper society.

The marketplace not only facilitates the distribution of abundances—including the abundances that nature has spread all over the globe, like the coal of Pennsylvania for the citrus fruit of Florida, or the oil of Iran for the coffee of Brazil—but it also directs the energies of all the specialists who made up society. This it does through the instrumentality of its price indicator. On this instrument are recorded in unmistakable terms just what the various members of society want, and how much they want it. If the hand on this indicator goes up, if higher prices are bid for a certain commodity, the producers are advised that there is a demand for this commodity in excess of the supply, and they then know how best to invest their labors for their own profit and for the profit of society. A lower price, on the other hand, tells them that there is a superfluity of a certain commodity, and they know that to make more of it would entail a loss because society has a sufficiency.

The price indicator is an automatic device for recording the freely expressed wishes of the community members, the tally of their dollar ballots for this or that satisfaction, the spontaneous and noncoercive regulator of productive effort. One who chooses to tamper with this delicate instrument does so at the risk of producing a scarcity of the things wanted or an overabundance of unwanted things; for he disturbs the natural order.

BENEFICIARIES OF COMPETITION

One more social function of the marketplace needs mentioning. It is the determinant of productive efficiency, provided, of course, it is permitted to operate according to the unimpeded

motive power of free will. In the primitive economy we have been examining, one shoemaker can take care of the shoe needs of the community. Under those conditions, the efficiency of that server is determined by his skill, his industry, and his whim. He alone can fix the standard of the service he renders his customers, or the prices he charges. Assuming that they can go nowhere else for shoes, their only recourse if they do not like his services or his prices is either to go without or to make their own footwear.

As the community grows in size, another shoe specialist will show up to share the trade with the first one. With the appearance of a second shoemaker the standard of efficiency is no longer determined by one producer. It is determined by the rivalry between them for the trade of the community. One offers to fix shoes "while you wait," the other lowers his prices, and the first one comes back with a larger assortment of sizes or styles. This is competition.

Now the beneficiaries of the improved services resulting from competition are the members of society. The more competition and the keener the competition, the greater the fund of satisfactions in the marketplace. Oddly enough, the competitors do not suffer because the abundance resulting from their improved efficiency attracts more shoe customers; "competition," the adage holds, "is good for business."

If, perchance, one of the competitors cannot keep up with the improving standard of performance, he may find himself out of business; but the increased productive activity resulting from the competition means that there are more productive jobs to be filled, and in all likelihood he can earn more as a foreman for one of the competitors than he could as an entrepreneur. Even those physically unable to care for themselves and dependent on others are benefited by competition; when there is an abundance in the marketplace, charity can be more liberal.

IMMUTABLE LAWS PREVAIL

I am not attempting here a complete course in economics. What I have tried to show is that in economics, as in other disciplines, there are inflexible principles, inevitable consequences, immutable laws written into the nature of things. Exercising his free will, man can attempt to defy the law of gravitation by jumping off a high place; but the law operates without regard for his conceit, and he ends up with a broken neck.

So, if the first pioneer had set up with force of arms a claim to everything produced in the Madison area, other pioneers would not have come near, and the community known as Madison would never have been born. Or, if he could have collected tribute, also by force of arms, from every producer in the area, he would have driven prospective specialists to places where private property was respected. If the first shoemaker had established himself, with the help of law, as a monopolist, barring competition, the shoes that Madisonians wore would have been of poor quality, scarce, and costly; the same result would have followed any legal scheme to subsidize his inefficiency at the expense of taxpayers. If early Madisonians had decreed to abolish the marketplace with its price indicator, specialization and exchange would have been thwarted and the economy of Madison would have been characterized by scarcity.

The laws of economics, like other natural laws, are self-enforcing and carry built-in sanctions. If these laws are either unknown or not heeded, the inevitable eventual penalty will be an economy of scarcity, a poor and uncoordinated society. Why? Because the laws of nature are expressions of the will of God. You cannot monkey with them without suffering the consequences.