

## The Natural Market, of the Natural Order, in Contraposition with the "Free" Market

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### Abstract

Today's most widely known market theory was developed based on the principles of the Scottish School led by Adam Smith, who "In several respects... diverted economy from its fair course, the one represented by the continental tradition commenced by medieval and late scholastics... leading economy to a very different path...", says Murray N Rothbard.

This "continental tradition" was developed by a group of famous Thomists, mostly Jesuits and some Dominicans, many of whom were professors of Moral and Theology at the University of Salamanca. Nobel Prize in Economics Friedrich Hayek assured that "the basic principles of the market theory... were established by the sixteenth century Spanish Scholastics".

All the same, "economy" was not intended to be a science, but was derived from moral: the study of human behavior – in the market – within the pre-existing natural order. But then rationalism – as to all other "sciences" – diverted the issue to a rational construction and granted economy the status of autonomous "science" for it was created by human reason independently from pre-existing order.

Such "independence" implies two features: it does not occur spontaneously since it does not respond to the nature of things and, therefore, must be coercively imposed and, logically, ignores the real authority, which is moral authority, since it considers itself "free".

Therefore, we will attempt to return to the origins -as I've tried in my late book "Cómo ser ricos y felices"-, to the natural market, i.e. the market of the natural order.

### History and Introduction

Today's most widely known market theory was developed and based on the principles of the Scottish School led by Adam Smith, who "In several aspects... diverted economy from its fair course, represented by the continental tradition commenced by medieval and late scholastics... leading economy to a very different path...", says Murray N Rothbard [1].

This "continental tradition" was developed by a group of famous Thomists, mostly Jesuits and Dominicans, many of whom were professors of Moral and Theology at the University of Salamanca. Nobel Prize in Economics Friedrich Hayek wrote that "the basic principles of the market theory... were established by the sixteenth century Spanish Scholastics" [2].

In any case, due to the intellectual level, and the reputation within the Church (two of those Scholastics were St. Bernardino of Siena and St. Antoninus of Florence who in 1449 wrote the dogmatically Thomist *Summa Moralis Theologiae*, the first treaty of the new science of Moral Theology), it can be said that this was the most thoughtful and valid attempt, within the Catholic Church, to study the market.

Anyway, "economy" was not intended to be a science, but was derived from moral: the study of human behavior – in the market – within the pre-existing natural order. But then rationalism – as to all other "sciences" – diverted the issue to a rational construction and granted economy the status of autonomous "science" -and thus the "free market"- for it was created by human reason independently from pre-existing order.

Such "independence" implies two features: it does not occur

spontaneously since it does not respond to the nature of things and, therefore, must be coercively imposed – or at least a framework should be imposed- and ignores the real authority, which is moral authority, since it considers itself "free".

Therefore, I will attempt to return to the origins -as I've tried in my latest book "Cómo ser ricos y felices"-, to the natural market, i.e. the market of the natural order by describing it, analyzing authority and thus showing that the essence of the natural market is the opposite of a rational constructed and planned "free market", empowered by a coactive "authority".

### Natural Order

### Introduction

It is clear that the nature of cosmos has an order that is spontaneously developed – inherently – for "we can observe that in natural things ... the best occurs; which would not be the case unless

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some sort of providence directed nature towards good as an end; which is to govern...”, argued St. Thomas Aquinas.<sup>1</sup>

According to Jacques Maritain natural order means the existence of phenomenological laws that are invariably repeated generators. Scientific law does invariably nothing else but extracts, more or less directly, more or less fluently, the property or the demand of a certain ontological indivisible unit, which constitutes what philosophers call nature or essence.<sup>2</sup> Let us remark that natural events are spontaneous for they are intrinsic, they come from within, from the essence. By contrast, artificial objects, since they do not have intrinsic principles, need to be moved by an extrinsic force.<sup>3</sup>

## Violence

St. Thomas Aquinas states that: “Violence is directly opposed to the voluntary, as likewise to the natural. For the voluntary and the natural have in common, that both arise from an intrinsic principle; whereas violence springs from an extrinsic principle”.<sup>4</sup> Thus, Etienne Gilson assures that for Aquinate “The natural and violent acts are then mutually exclusive” [3].

Therefore, violence is that which is directly opposed to the voluntary – which is natural– and to the natural, pretending to extrinsically deviate the development of things. Now, let us point out that although human beings can voluntarily oppose the natural due to their free will, considering life arises from nature, they will be strongly impelled by the survival principle commencing in the conscience, to make their will coincide with the natural.

## Moral

The set of rules that humans must follow to adjust themselves to the

<sup>1</sup>Thomas Aquinas, *Summa Theologica* I, Q. 103, Art. 1. Providence may be regarded as an overmuch “theological” term and, since I am trying to do natural science, I want to make it clear that this term could (if necessary) be replaced by any force that would naturally drive a person to be in favor of life, survival and love (Erich Fromm would probably call Providence, love; and Adam Smith, the “invisible hand”, even though that would be a rather biased view). Aquinate defines Providence as follows: “(God) is the one who orders them so (the things); and precisely in such order, which is the reason of the order of things, consists Providence” (Aquinas, *Summa* I, Q. 22, Art. 1). In any case, in this paper we want to make clear that there is a “natural” principle, prior (superior) to the individual person and, consequently, to society, which necessarily directs it to good. It should be noted that what I am saying is that natural order inherently directs us to life, to good, and not that each human being will inevitably be directed to perfection. Indeed, the thesis presented in this paper is that human beings will be directed to perfection as long as they respect the nature of things; and they will not be directed to perfection if they do not respect such nature.

<sup>2</sup>Cf. Jacques Maritain, *Los grados del saber*, Desclée, Buenos Aires 1947. In this way, for instance, according to P. Duhem (cf. *La théorie physique*, Rivière, Paris 1914), a physical theory is not an explanation (of a “manufactured” phenomenon, such as the instructions of a TV set). It is a system of mathematical propositions, inferred from a reduced number of principles, the purpose of which is to represent, in the most simple and complete manner as possible, a group of experimental laws (which naturally occur in the cosmos); even though, precisely, they are referred to a partial framework arbitrarily determined by human reason.

<sup>3</sup>Cf. Mariano Artigas and Juan José Sanguinetti, *Filosofía de la Naturaleza*, EUNSA, Pamplona 1984, p. 90.

<sup>4</sup>Thomas Aquinas, *Summa Theologica* I-II, Q 6, Art. 5. Furthermore, “it is possible to force an animated being: for instance, a horse can be forced to separate away from the straight line where it runs, causing it to change the direction and return by where it came. And in this way, whenever there is a cause outside creatures that forces them to execute what is contrary to their nature or their will, it is said that these creatures perform their actions by force ... Therefore, this will be the definition of violence and coercion for us: there is violence whenever the cause that forces creatures to act is external to them; and there is no violence whenever the cause is internal and within the same beings that perform the acts”, Aristóteles, *La Gran Moral*, I, XIII (in Aristoteles, *Ética*, Espasa –Calpe Argentina SA, Buenos Aires 1945, p. 46.

natural order and, thus, guarantee and promote life evolution is what we define as moral. They are those action guidelines according to the nature of things.

Therefore, being moral implies that we harmonize our intrinsic principles: the voluntary and the natural. This harmonization is basic for life for it involves the coincidence of our “effective” being with its nature. Hence, the survival principle will strongly induce us to ensure such harmonization. Thus, there is an ontological and natural –spontaneous– strong tendency of human beings to adjust to morals.

It was probably Socrates who, for the first time, related God with some sort of internal presence or voice of conscience. Such internal voice is the “harmonization guide of the intrinsic principles”. It is the “self” which demands us –due to the principle of survival– to harmonize such principles and advises when such harmonization is not met. It is comparable to physical sensitivity that denounces when something physical is contrary to our material nature: if we burn ourselves we will feel pain.

## Social Natural Order

### Introduction

Since to procreate human beings need two people, man and woman, they necessarily need to interact for survival. Thus, social relations, among people that are “governed” by natural order, have a nature that must be respected and we will call this “social natural order”.

In this way, although human beings are not perfect, since they need the improvement of society and since they have been created to endure, they shall have a clear tendency towards cooperation and service for social life, which will be the natural, “normal” way in the relationships among people.

As we said, human voluntary may destroy the natural, or not. If it does not destroy it, it will continue towards good. If the voluntary destroys the natural, it will cause the disappearance of the voluntary which exists in this nature. This being so, the first corollary is that, as long as a person acts voluntarily, well, the natural order shall finally prevail. In the opposite, as violence –coercion– is contrary to the voluntary and to the natural it will necessarily destroy nature. So, the second corollary is that human beings can never defend themselves with violence since this would mean, on the contrary, deepening the violation of the natural order. The only way of real and efficient defense is to get the voluntary of the “aggressor” match with his nature.

### Authority

Every human action is aimed at improving the situation of the acting individual – some work to earn money; others do physical exercise to improve their health, and so on. Now, to improve means to acquire something better –ideological or material– that the individual did not have before, meaning that some sort of superior “authority” will provide such means –which are unknown to the individual– that will lead him to a better situation.

Let us remember that the universe is ultimately governed by immaterial forces and that moral is the adjustment to the natural order– and this has to do with efficiency– and that we all want to reach perfection –the ultimate purpose– which is the proposal of Providence. So, we will keenly follow the one who best leads us toward, and in the natural order, the person with more “moral authority”.

On the contrary, those who do not follow the real authority will

move away from moral, from the natural order, and, consequently, they will disappear and with them –spontaneously, naturally- the lack of respect for true authority. In the opposite, violent -coercive- “authority” is unreal since it does not happen naturally -and therefore it must be coerced- and destroys the real government of the natural market introducing disorder.

## Natural Market

### Introduction

*“If the exchange of products were abolished, society would be impossible, and we would all live with anxiety and in distress, without trusting our children, and our children not trusting us. Why has society been constituted then if not because as one cannot be self-sufficient to obtain the necessary elements of life then scarcity can be overcome through mutual exchange of those items owned in abundance by one party or the other?”*, states Juan de Mariana, Spanish Scholastic [4].

Now, social natural order involves actions and relations aimed to exchange goods and services as to satisfy human needs more efficiently, as long as there is no violence or coercion. So, we shall call this aspect of the social natural order –plainly the natural order- the “natural market” or just the “market”.

Israel M. Kirzner – almost paraphrasing Maritain- states that “The theory ... is based on the fundamental intuition that the market phenomena can be “understood” as systematic relations. The observable phenomena of the market ... are not considered to be a mass of isolated and insurmountable occurrences but the result of certain processes that may be tentatively captured and understood” [5]. Furthermore, Kirzner “discovers” that the market is not a static, balanced situation, but a “creative process”.

### The process of the natural market

The market process can be analyzed by the supply and demand curve, according to which the higher the price of a certain good the greater the number of people who will sell it, resulting in an oversupply that will put downward pressure on the price. When more people want to buy, price increases and vice versa. A balance, thus, is created between supply and demand. But, the truth is that the balance is never reached so what really exists is a punctual environment with a tendency towards equilibrium.

In this natural market process, unlike what rationalism states, the fact that future cannot be anticipated is what triggers progress. For business functions, technological development and, finally, the process of creation – that is what natural order is about- are based on the chance to find unknown information. If the unknown did not exist, if we could rationally plan and anticipate everything there would not be technological development, business function, or any progress whatsoever. Obviously coercively imposed economic policies or planning or frameworks are counterproductive.

Israel M. Kirzner explains that: “The key feature of the market process... refers to the role played by ignorance and discovery in it... imbalance consists in ignorance... We describe this sequence of discoveries as a key element of a balancing process... human beings are

driven to discover what is best for them... the market process is focused on the incentives provided by the imbalance conditions for those discoveries that are added to the systematic balancing tendencies...”<sup>5</sup>

In this way, justice arises from the creative act contributing with something new out of nothing, profiting its creator and the fellow humans, and not from the -coercive- distribution of what already exists. Strictly speaking, only God can create something from scratch, hence human beings can only participate in this creation: discovering facts that we did not even know they existed before. The developer of the email, for instance, produced an event that did not exist before. The agricultural producer grows wheat where there was only earth. He wins and society along with him.

As to end this speech, let me summarize that modern “economics” has coercively imposed its rational idea -introducing econometrics, and making it independent from moral-, and somehow considers the market a struggle between “free” individuals for the distribution of what is in some extent beforehand given and known. While the natural market is the certainty of the existence of an order anterior to human reason, which is spontaneous and extremely creative, that leads towards good and, consequently, to the coordination with the rest of society leaded by real authority in order to advance towards the growth of life.

### References

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2. See the interview to Jesús Huerta de Soto in Austrian Economic Newsletter (1997) Auburn, Alabama, Summer 17: 3.
3. Etienne G, El T, Parte S, Capítulo VIII (1989) EUNSA, Pamplona p: 438.
4. Juan de Mariana, Del Rey y la Institución Real, Biblioteca de Autores Españoles, Atlas, Madrid 1950, 31: 560.
5. Israel MK (1998) Competencia y Empresarialidad, Unión Editorial, Madrid p: 17.

<sup>5</sup>Israel M. Kirzner, *El significado del proceso de mercado*, Libertas, No. 27, ES-EADE, Buenos Aires, October 1997, pp. 128-9-133-4-5-8-9. Pope John Paul II states that “Driven by the desire to discover the ultimate truth of existence, human beings seek to acquire those universal elements of knowledge which enable them to understand themselves better and to advance in their own self-realization. These fundamental elements of knowledge spring from the wonder awakened in them by the contemplation of creation: human beings are astonished to discover themselves as part of the world, in a relationship with others like them, all sharing a common destiny. Here begins, then, the journey which will lead them to discover ever new frontiers of knowledge. Without wonder, men and women would lapse into deadening routine and little by little would become incapable of a life which is genuinely personal,” Encyclical Letter “Fides et Ratio”, Rome 1998, No. 4.