

The notorious market society



**ASSIGN
BUSTER**

The Notorious Market Society By: A. I. The majority of the population in our society take for granted the standard of living we are blessed with. We have the capability to make decisions regarding our own self-interests and goals. This is achieved only through the capitalist free market society that allows each individual to flourish on his or her own. There have been many contributors to this economic theory, and in the following paragraphs I will explain more in detail the origins of this market economy, how it came about, and its implications on society.

Historically speaking, there have been three types of economic solutions for a society; tradition, command, and the market. Perhaps the oldest economic system, ??? tradition??™ is embedded in the roots and customs of a society, and is used to guarantee the production of goods (Heilbroner & Milberg, p. 6). This is accomplished by assigning specific jobs to different families. By doing so, there is a simplified division of labour. A son would be obliged to do what his father does, therefore guaranteeing production; ??? the universal need of the young to follow in the footsteps of their elders?? (Heilbroner & Milberg, p. 7).

??? Thus, a hereditary chain ensures that skills will be passed along and jobs will be staffed from generation to generation?? (Heilbroner & Milberg, p. 7). Even to this day, traditional economies are present since they are an effective method of dividing a society??™s production and distribution.

Though this system is successful, most societies are now following command and market economies. The command economy is one that is managed by

the state, in which each individual is given a specific task to pursue in society (Heilbroner & Milberg, p. 8).

This method is imposed through authority on individuals regarding their economic activity (ibid). Command society, much like tradition, offers a solution to the two economic problems by guarantying a steady production and distribution of goods. ?????;command diverts economic effort toward goals chosen by a higher authority???(Heilbroner & Milberg, p. 10). Between tradition and command, they have both accounted for most of the history of mankind to cope with the economic problems of production and distribution (Heilbroner & Milberg, p. 10).

??? The fact that human society has survived is testimony of their effectiveness??? (ibid). The test of history has proved the success of tradition and command systems, however there is a third solution to the problem of production and distribution. This is the market economy also known as capitalism. The market allows people in society to ensure their own participation within the economy without any dependency on tradition or command (Heilbroner & Milberg, p. 10). ??? In a market economy, no one is assigned to any task. In fact, the main idea of a market society is that each person is allowed to decide for himself or herself what to do??? (Heilbroner & Milberg, p. 11).

The market guarantees that all jobs will be filled, since it is in the advantage of the people themselves. Organization in a market society is acted out almost spontaneously without the need for interference. Theorists believe that it is in human nature to participate in the market, or what Adam Smith

called ??? a natural propensity to truck, barter and exchange one thing for another??? (Dwyer, p. 87). In the market, buyers and sellers interact with one another, and the forces of supply and demand determine the prices of the market (Dwyer, p. 88).

For example, if there is a higher demand for a certain product or service, this would lead to higher prices, and the same analogy would apply vice-versa. To be able to understand the market, we need to retrace its evolution and see how it came about. The most important economic and political developments arose in the eighteenth century in Europe where enlightenment thinkers and writers began to develop the concepts that allowed capitalism to develop (Dwyer, p.

78). In the 1760??™s, a group of French enlightenment thinkers called the Physiocrats directed their attention to the science of economics (Dwyer, p. 80). What they wanted to do was to correct the irrational aspects of feudal society to improve mankind by abandoning tradition, and the teachings of the Catholic Church (Dwyer, p. 80). The word ??? Physiocracy??? means following the rules of nature, and Physiocrats state that an economy should be natural (Dwyer, p.

84). ??? The French Physiocrats were the first to develop a recognizably capitalistic model of the economy??? (Dwyer, p. 78). They were also the first to advocate the laissez-faire model for the sale of grain (Dwyer, p. 85). Physiocrats recognized that the only people that had the resources and capital for funding significant change were the aristocracy (Dwyer, p. 86).

They advised the wealthy class to enclose their land, and to replace them with landless labourers or tenant farmers. This was one of the most significant actions taken to bring about a market society and capitalism (ibid). The agricultural surplus needed for society to feed the increasing population, agriculture, mining and fishing were the primary sectors of the economy (Dwyer, p. 86).

Investing in agriculture resulted in economic growth (ibid). In agriculture, due to their fuel for the economy, those who worked in the fields formed the productive class. The second class were the sterile classes which were the consumers in the economy. ??? The exchanges between the sterile and the productive classes resulted in a zigzag model.

In this ??? ideal??™ model, a perfect balance was obtained between production and expenditure creating equilibrium??? (Dwyer, p. 87). However, the Physiocrats were limited by their belief that agriculture and land were the only productive sectors in an economy that could produce net surplus (Dwyer, p. 78). As the American Revolution broke out in 1776, a Scotsman by the name of Adam Smith published his book, *The Wealth of Nations*. The book analyzed capitalism and the self-regulating market economy. Smith started where the Physiocrats left off, and he created a more recognizable model for a progressive economy by including commerce and manufacturing into his model of a free market (Dwyer, p. 87).

Smith??™s model on the market was only governed by the rules of supply and demand (ibid). He believed that people were motivated by their self-interest and the desire to exchange with one another (Dwyer, p. 88). ??? It

was in the interest of men and women to truck, barter and exchange one thing for another???

 (Dwyer, p.

88). Smith believed that it was not rational for people to produce everything just for themselves. He advocated that it would be more efficient if labour were divided between different people, as some people are better at some tasks than others. ??? Smith claimed that the major difference between a primitive society and a civilized one is that while primitive people perform a wide variety of economic tasks, civilized people perform highly specialized tasks???

 (Dwyer, p. 88). The principle of the division of labour made jobs more specialized and therefore made them more productive. Smith??™s book led to the creation of a free market in labour in 1834 by defeating protectionism through removing the British Corn Laws (Dwyer, p. 81).

This allowed businesses to import grain and wheat at a lower cost, which led to a rapid division of labour in British society. By giving people the freedom and liberty to do as they please, they would be more productive, making the state wealthier. Smith believed that self-interest strengthens societies rather than destroy them (Dwyer, p. 88). However, Smith was concerned with self-interest and wanted to distinguish between ration self-interest and greed.

??? He detested people who loved money for its own sake???

 (Dwyer, p. 89). A capitalist in Smith??™s terms is ??? someone who can employ the labour of others and make a surplus??? (Dwyer, p. 89).

Capitalist economies do not need to balance their trades internationally, since they have the ability to generate domestic surplus (ibid). This is the primary difference between capitalism and mercantilism. For a mercantilist

system, wealth was produced through trade surplus between different states (Dwyer, p.

90). Smith believed that it was irrational to barter for exchange; rather we should have currency as a mechanism for exchange. This makes it easier to exchange with one another using a common currency. ??? Money is the driving wheel of the economy but it is not wealth??? (Dwyer, p.

90). Smith's famous labour theory of value states, ??? the value of anything produced in society depends on the cost of labour that was put into it??? (Dwyer, p. 91). Essentially, the market economy is heavily dependent on the labour power of the population. Smith made a clear distinction between fixed and circulating capital in an economy (Dwyer, p. 96).

Circulating capital is needed for the early stages of development in business. Later, as the business becomes larger, it becomes more dependent on heavy machinery and investment; therefore a need for a large fixed capital to ensure the resources for development (Dwyer, p.

97). The theory Smith established created a heavy dependency between production and labour, and improved the general well being of society. However, the benefits of a market society also had their drawbacks. There are many concerns with the capitalist market that Adam Smith advocated. He himself was strongly against monopolistic acts in the market, as he believed it would allow individuals to control and sabotage the laws of supply and demand (Dwyer, p. 93). Another issue regarding the market is the class conflict that arose between the landlords, capitalists, and labourers (ibid).

The unequal distribution of wealth within the capitalist society creates issues regarding classes (Dwyer, p.

88). The commodification of goods and services puts a price on everything, even human labour. The core of the capitalist free market is the landless labourer who generally works from nine to five just to make ends meet.

Though the stated issues are important, the most vital concern regarding market economies is the excessive use of resources used for production (Dwyer, p. 86). Most capitalist countries tend to waste large amounts of resources and materials, leaving huge carbon footprints. Even though the resources on our planet are limited; market economies don't seem to understand the magnitude of that. This is the effect of having a consumer society that is brainwashed by the media into purchasing the next product they see.

Though Market societies have helped mankind fulfill its potential, we must realize the effects we are having on the environment for future generations to come. Today, most citizens take the division of labour that enables a wide variety of job opportunities for granted. People can now follow their own self-interest while simultaneously having a positive impact on their society.

Though we might not be thankful for the society we live in, we must acknowledge the people who have helped bring this economic theory to reality, from the Physiocrats, to the most important economic theorist Adam Smith. By emphasizing freedom and liberty, these people helped society realize the potential in the market economy. We analyzed earlier in this essay the three different types of economic societies; tradition, command, and the market. Though tradition and command economies have shaped

most of our economic history, the market economy enables people to follow their own interest, while simultaneously having a positive input in productivity.

We must acknowledge the positive aspects of a market society, but we ought not be blind to the negative consequences that stare us in the face. I believe that if Smith himself had the opportunity to experience our market economy, he would be disgusted at the inequality and exploitation that takes place around the world. ??? Smiths world was not one of machines, but of men. Smiths achievement, however, has turned men into a kind of machine??? (Dwyer, p. 87). I am an advocate for a market society; however, I believe that we must recognize the effects the market has on global resources and the exploitation of individuals around the world.

Works Cited
Dwyer, John. (2000). The Rise of Political Economy and the Market. Business history: Canada in the global community. Captus Press. pp. 77-103
Heilbroner, Robert, & Milberg, William. (2002).

The Economic problem. The Making of Economic Society, 11th edition, Prentice Hall, pp. 1-12.