

## **The market, justice and morality**

### **Markets**

The market is a natural exchange relationship that has existed amongst free human beings since history began. It is a phenomenon that has been the engine of human prosperity, productivity and progress. Although it remains a most misunderstood concept, there is nothing ambiguous or confusing about the market. Nor is there any ambiguity in its integral relationship with morality and justice. This triangular relationship rests upon the structural and functional base of freedom. The institutions of the free market are private property rights, contracts, voluntary exchange, inviolability of profits, and a stable rule of law.

A market, therefore, is the social array of free and voluntary exchanges of goods, services and values. It is a singular phenomenon, a basic characteristic of which is the free exchange of titles of ownership to property.

### **Exchange and choice**

In a free society, every person has the absolute right of property, first in his own person, and secondly, in the previously unowned natural resources that he finds, transforms by his own or hired labour (which latter he contracts for a mutually agreed fee) and then exchanges with others.

The moral of this exchange, and its underlying rightness, is this: each of the participants in the exchange has the right to live by their voluntary choices. Amongst these are the voluntary decisions to earn and purchase things which one can call one's own. The right to own things of value is not only an important right, but also fundamental to the concepts of justice and morality. In a market economy each adult person has the right to own property, to acquire goods, to wheel and deal, and to prosper or starve according to his or her own active efforts. A corresponding and similar right is that of each person to pursue private happiness.

Commonsense has it that "there is a price for everything and everything has its price." It has been observed that all voluntary contacts among people operate on the basis of giving and returning value perceived as equivalent. In a master-slave relationship there is no equivalence, thus there can be no justice or morality. In a free exchange relationship, however, individual human beings freely choose the exchanges in which they will participate. They take action only after examining the costs and rewards of alternative courses of action, products or services and selecting the most attractive.

### **How everyone benefits**

The market is thus based on the "norm of reciprocity", which is a rule that makes human beings recognise an obligation to give a return for what they receive. Take, for instance, the acquisition of a hat by Thabo from Themba. The hat costs, let us say, R10. Thabo has R10 which he values less than the hat; and Themba has a hat which he values less than the R10. An exchange of titles to property takes place when Thabo gives Themba R10 and Themba gives Thabo the hat. Freedom of choice has operated and justice has prevailed. Rational morality has thus reigned supreme. This is what the free market is about.

As well as exchange, the market depends on the profit motive to stir individuals and groups towards productivity. People run risks to make gains. In general, we can observe that people repeat rewarding actions and respond to stimuli associated with such rewards. That is to say that they act on the basis of the values which they attach to things. Human beings are thus rational, although this is not to imply that they are always right about what the most rewarding or rational choice would be.

As long as their conduct is based on a free choice, and regardless of whether they risk their entire savings and sink them into what turns out to be a "black hole", their action has both been moral and just.

## **Rising from the ashes**

The triumph of morality and justice in the market – in terms of both process and product – is constantly illustrated by the heroic example of a man or a woman who has suffered major and sometimes prolonged reverses and defeats in life. Many have taken the easy option of cursing their environment, society, community, apartheid and God, and drowning their sorrows in self-pity or in some other aberrant behaviour. Instead, he (or she) rises from the ashes to triumph in the freedom, morality and justice of the market. He exercises the right to live by his voluntary and free choices, including choices to earn and buy things which he can then call his own. He enters into the material world which is governed by the exchanges of titles to property – tangible and intangible. The social circumstances around him have dealt him deadly blows, figuratively and perhaps also literally, but he employs natural resources and his personal desire to achieve optimum exchange circumstances, and hence he achieves recovery and success.

## **Unequal outcomes**

Some, in their inadequate understanding of the free market, have denounced it as a “right-wing” ideology characterised by great inequalities of wealth. Inequalities in a free market economy are, of course, based on the concept of rights – if I, or any person, have earned my money, it is mine alone to dispose of as I wish. It does not belong to those who have not earned it, even though I may choose to share it with them. That is, only I have the right to divide my wealth with whomever I choose. No person has the right to divide up other people’s earnings in the pursuit of his own goals.

But there are sound utilitarian reasons why inequalities of outcome in a free market are desirable and benefit the less wealthy as well as, more obviously, the more wealthy. If individuals know that they can keep all or most of the money they make from their activities, they have an incentive to keep on working and producing. If, on the other hand, they know that it will only be taken away from them, or (which is the same thing) that they are underpaid, they are more likely to stop and to work less diligently while on the job. During the dark days of apartheid in the 1960s I used to refer to the latter phenomenon as the Samba Syndrome, namely, since apartheid institutions and other enterprises pretended to pay us, we also had to pretend to work!

Naturally, if such a tendency becomes widespread in a society, it can have a marked effect on overall productivity. Since many of the people who produce goods and services cannot afford the fruits of their labour, low motivation damages productivity and there will be fewer goods and services available. Without incentives and the freedom to optimise one’s capabilities or products there can be no real market.

## **Labour mobility**

Any transactions conducted voluntarily and freely are a function of the market economy. In a static and traditional society, people rarely travelled far; they usually lived, laboured and died within a few miles of their birthplace, with little improvement in their circumstances. In contrast, an important feature of a free market is that the supply of, and the demand for, individual effort (labour) are able to move and accommodate each other for mutual benefit.

People have often said to me: “Professor Sono, you have worked in many places in South Africa. Why?” My response is always: “The free market, my friends, the free market.” I receive a puzzled expression, whereupon I say: “Believe it or not, in all the institutions that I have worked for in South Africa I have never applied for the positions. I was recruited, and my prospective employers offered better terms than my previous ones.”

I had to sell my labour to the highest bidder. And there always was such a person willing to buy the rights to my labour. A voluntary exchange thus took place. I have lived in the United States for decades. The labour market there is very flexible. It is no big deal to move from one city or State to the next. Morality thus pervades such transactions, and justice prevails as well.

## **Justice for all**

In a slave economy we may talk of collectively created wealth, because the master enslaved the serf to produce for the few. The market system is based on voluntarism, freedom and rights, and a market economy fosters individual achievement. So it is not correct to maintain that wealth belongs to all of us, in the sense that we share a common citizenship, as a collective process which demands some egalitarian distribution.

Wherever the apartheid government was unwilling to establish a market economy, the ANC has had the opportunity to benefit from following the “rule of opposites.” In doing the opposite of what the apartheid regime did in those areas, the present government has enabled the economy to perform much better than hitherto. Despite the positive demonstration effect, the reverse can also happen, of course! An informed commitment by government to build and strengthen all aspects of a market economy would be better.

The market is an exchange through which goods, services or values are routed to their appropriate destinations. Whether exchange is based on money or barter, the market fulfils this switchboard function. Through such an exchange system, products and services are sold, bought, traded and exchanged, freely and voluntarily. This is the essence of the morality and justice of the market.

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