

# The Definition & Essence of the Free Market

Examples of present thought

## free market noun

### Definition of free market

- 1) an economy operating by free competition ;
- 2) an economic market or system in which prices are based on competition among private businesses and not controlled by a government

### Investopedia: What is a Free Market

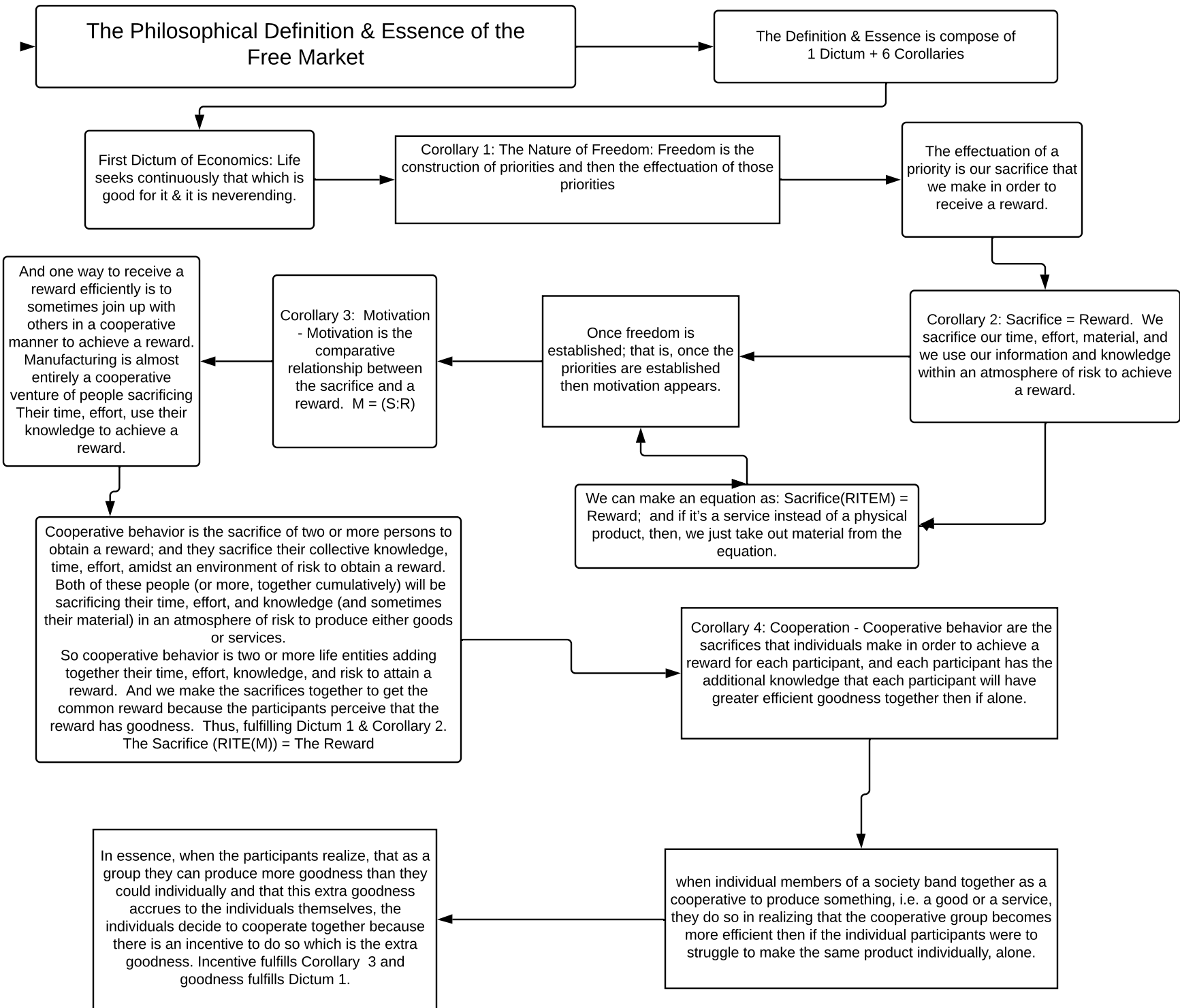
The free market is an economic system based on supply and demand with little or no government control. It is a summary description of all voluntary exchanges that take place in a given economic environment. Free markets are characterized by a spontaneous and decentralized order of arrangements through which individuals make economic decisions. Based on its political and legal rules, a country's free [market economy](#) may range between very large or entirely black market.

From the Library of Economics & Liberty: "Free market" is a summary term for an array of exchanges that take place in society. Each exchange is undertaken as a voluntary agreement between two people or between groups of people represented by agents. These two individuals (or agents) exchange two economic goods, either tangible commodities or nontangible services. (Murray Rothbard)

Where buyers and sellers can make the deals they wish to make without any interference, except by the forces of demand and supply. A stockmarket comes closest to this ideal.

From

<http://www.businessdictionary.com/definition/free-market.html>



The Philosophical Definition & Essence of the Free Market

The Definition & Essence is compose of 1 Dictum + 6 Corollaries

First Dictum of Economics: Life seeks continuously that which is good for it & it is neverending.

Corollary 1: The Nature of Freedom: Freedom is the construction of priorities and then the effectuation of those priorities

The effectuation of a priority is our sacrifice that we make in order to receive a reward.

And one way to receive a reward efficiently is to sometimes join up with others in a cooperative manner to achieve a reward. Manufacturing is almost entirely a cooperative venture of people sacrificing Their time, effort, use their knowledge to achieve a reward.

Corollary 3: Motivation - Motivation is the comparative relationship between the sacrifice and a reward.  $M = (S:R)$

Once freedom is established; that is, once the priorities are established then motivation appears.

Corollary 2: Sacrifice = Reward. We sacrifice our time, effort, material, and we use our information and knowledge within an atmosphere of risk to achieve a reward.

Cooperative behavior is the sacrifice of two or more persons to obtain a reward; and they sacrifice their collective knowledge, time, effort, amidst an environment of risk to obtain a reward. Both of these people (or more, together cumulatively) will be sacrificing their time, effort, and knowledge (and sometimes their material) in an atmosphere of risk to produce either goods or services. So cooperative behavior is two or more life entities adding together their time, effort, knowledge, and risk to attain a reward. And we make the sacrifices together to get the common reward because the participants perceive that the reward has goodness. Thus, fulfilling Dictum 1 & Corollary 2. The Sacrifice (RITE(M)) = The Reward

We can make an equation as:  $Sacrifice(RITEM) = Reward$ ; and if it's a service instead of a physical product, then, we just take out material from the equation.

Corollary 4: Cooperation - Cooperative behavior are the sacrifices that individuals make in order to achieve a reward for each participant, and each participant has the additional knowledge that each participant will have greater efficient goodness together then if alone.

In essence, when the participants realize, that as a group they can produce more goodness than they could individually and that this extra goodness accrues to the individuals themselves, the individuals decide to cooperate together because there is an incentive to do so which is the extra goodness. Incentive fulfills Corollary 3 and goodness fulfills Dictum 1.

when individual members of a society band together as a cooperative to produce something, i.e. a good or a service, they do so in realizing that the cooperative group becomes more efficient then if the individual participants were to struggle to make the same product individually, alone.

And in order to produce cooperative behavior which is the Effort of our sacrifice and the Knowledge that working together with other people will result in the greater ability to produce goods and services (which is good and which allows us to live better), we consider others with whom we cooperate important to our lives; and thus, we make Instruments of Cooperation, such as, agreements, covenants, contracts.

Examples of agreements  
Individuals with individuals  
Companies with Companies  
Society with Government

And example of an agreement between Society and Government would be the creation of property rights.

And within any contract or agreement there are rights and obligations. There is a right to receive something and there's an obligation to give something for each party involved.

Contract =  
Participant A  
Obligation + Right  
Participant B  
Obligation + Right  
and so on ...

For example if you're in a store and you go to the cash out register, your obligation is to give the payment of the object that you want to buy to the cashier, and it is your right to receive that object. Across from you is the cashier whose obligation is to give you the object that you wish to purchase and their right is to receive your money.

However, there is a by-product of societal freedom (Corollary 1) and that is the convergence of priorities; that is, others may come to have the same priorities which is the nature of competition. And so competition emerges through the convergence of priorities. That is, it naturally emerges from 2 factors: 1) from the existence of freedom; & 2) from St. Augustine's Principle of Libido Dominandi (the lust for dominion; the desire to dominate). And this is Corollary 5.

Reason why we have to include this principle into the nature of the free market is because competition is the convergence of priorities and converging priorities are inimical to the health of the life entity. All companies, individuals, societies know that direct competition can take away from available resources. In the economic arena it makes it harder to get customers. But yet competition exists.

Well, competition exists because within human nature there is this will to compete which evolved back when our predecessors came out of the trees due to a drying up the environment and landed themselves on the Plains of Africa. Suddenly they had to live and travel in groups without trees.

Anthropologists have studied similar species that have lived in the same manner and they have noted that the similar species, such as wolves and baboons, live in packs with one leader, a dominant alpha male.

The younger males, as they grow and learn, come into eventual competition with the alpha male. This will to compete becomes genetically inherent within the species.

And so it is that this will to compete has evolved within the human species and Saint Augustine noted this proclivity of the human species and deemed it the principle of Libido Dominandi.



Corollary 5: Competition = the convergence of the priorities by two or more entities. Corollary 6: Law of differentiation = The divergence from the market priorities fulfilling new demand to deliver new goodness. All life knows that direct competition is inimical to one's health; so it attempts to diverge away through differentiation. And this law produces the variations of products in the market place.



Free Market Enterprise =  
The Good (D1) + Freedom (C1) + Sacrifice = Rwd (C2) + Motivation (S:Rwd) (C3) + Cooperation (C4) +  
Competition (C5) + Law of Differentiation (C6)

And so, what makes the efficiencies that will render prosperity? What is it that causes us to generate the ways to make less sacrifice and making more reward?

Three things: the first dictum of life, the principle of libido dominandi, and the law of differentiation.

In order to do this we need efficiencies which is provided by the creation of new knowledge.

The first dictum causes us to seek goodness; the principle of Libido Dominandi causes us to compete; and the law of differentiation causes us to discover new goodness.