

# Freedom, Competition and Market order

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*Free is one who has nothing to lose.  
My freedom is more important  
than any great idea.*

**Summary:** This article is an attempt to provide a close view to the social liberal order through the prism of the value triad *Freedom-Competition-Market order*. The perimeter of the research interest leaves aside the more general philosophical interpretations of freedom.

Every social order is built up on common values. This is the secret of its stability. Values are abstract concepts that direct people towards goals which they are willing to achieve together. This is possible just in case of conceptual synonymy in understanding the values and reaching an agreement to follow definite rules that guarantee achievement of these values.

In this article freedom is looked upon as an entirety of property rights; competition – as a compulsory game in which the players should take part in order to obtain property rights; and

market order as the totality of all the market players and the rules which they follow in order to achieve their free choice of production and of market exchange of the property rights upon goods.

According to the author freedom and competition are in close relationship which is created by the property rights. The clearly defined rules as per which every player acquires property rights upon goods outline the scope of his free actions. The extension of this field in the presence of the institution of market as a regulator of the exchange can be achieved mainly through a competition play. This play should be organized through a set of rules which do not allow turning the society to an arena for gladiator battles and so guarantee maintenance of compatibility as the most civilized achievement of men.

The triad *Freedom-Competition-Market order* is a creative achievement of human, developed through the creation of rules and order out of which it cannot exist. This achievement is one of the main features of modern society.

People are what they are. And whether they will show off the best of themselves depends only on the rules of society.

**Key words:** Freedom, Competition, Market order, Property rights, Social liberal order.

JEL: A13, A14.

“Free competition”, “free market”, “free people...” Phrases we meet almost everyday. Said by politicians, scientists, journalists... Have we thought what they tell us indeed? Or we just take them as magic phrases having gained the nature of mantras. They sound like a solution to certain problems, as truth of last resort, or just an answer to a question beyond which nothing else can be added. But very often there is ambiguous sense given to these phrases.

What do we actually mean by saying that market is free! What/Who is free: the market or the market actors? If what is free is the market, is this a form of social Darwinism and does the right of the stronger rule apply? And if the actors are free, what is competition: freedom or coercion?

Speaking in terms of “freedom”, “competition”, “market” is, in essence, speaking about values that must be shared in order to be attained. Sharing should presume a logical synonymy of both what we want to achieve and the means we intend to use to achieve it. Besides, one must have clarity where these values stand in society’s list of values and which other values they compete with. I would even dare to say that precisely the same meaning we put in them is the most serious premise for their realization. How can we attain freedom, market and competition if everybody has their own, different understanding of them, if everybody subjects their behavior to such understanding of their own and if everybody judges the actions of others only based on their own “egocentric” system of values and ideas?

The values of contemporary society such as freedom, equality, equity, security,

economic growth and prosperity could hardly be bracketed together because their attainment is often related to the impossible compatibility of the means to attain them. This brings about a need that society should have: 1. clarity with respect to the value matrix on which social order is built (the rules of common life among people), 2. sufficient consent (sharedness) of values and rules for the attainment thereof.

Without such rules, without a shared order to which people submit their behavior, society turns into a fiction.

This article is just an attempt to look at the value triad “freedom-competition-market order” as one of the most fundamental characteristics of liberal social order. The efforts of many generations have come together and, probably, will keep on coming together around that system of values in order to build society ensuring opportunities for achievement of individual and group objectives based on the common play between the market institution and the rule of law.

## Freedom as a pool of property rights

*Freedom is the right to choose:  
the right to create for oneself  
the alternatives of choice. Without  
the possibility of choice a man  
is not a man but a member,  
an instrument, a thing.*

*Thomas Jefferson  
Archibald MacLeish*

The possibility of man being free, the premises, conditions and effects related to freedom are subject to unceasing

interpretations. There are various uses of that concept in different contexts and within the boundaries of different fields of science.

Within the framework of the “freedom-competition-market order” triad as the bearing structure of liberal social order a matter of interest is the neoliberal notion of freedom associated mainly with the name of Friedrich von Hayek.

Freedom is defined *ex negativo* as lack of barriers or interference of others in what the individual actor wants to do. Thus, freedom is reduced to everything that can be identified as lack of barrier to action.

People live under conditions of scarcity where the collision between the interests and conflicts upon distribution of goods are inevitable. Thus, effective rules are needed allowing the actors to attain their individual objectives within the framework of shared values to which they submit their behavior. According to Hayek freedom may only exist under the conditions of rules. It requires a “rule of law” protecting property rights and freedom to contract. Thus, the freedom the actor gets by means of the presence of rules is indeed a negative liberty. It is the condition in which the coercion on individual actor is reduced to the extent possible in society. [condition of men in which coercion of some by others is reduced as much as is possible in society]<sup>1</sup> The latter is always a result of confrontations between separate interests and aims and to a great extent predetermines society’s political system.

Similarly to Hayek, Friedman also sees the limitation of actor’s freedom only in hindrances

imposed to him by other actors. He defines political freedom as absence of coercion of a man by his fellow men.<sup>2</sup>

Two coinciding points are found in these two notions of freedom. The first one is that one can speak of limitation of freedom only in cases where coercion is exerted. The latter is a change of environment or circumstances imposed by other actors which does not allow the individual actor to achieve his goals and intentions but [instead make him] act to the benefit of someone else. [Hayek. *CL*: Coercion according to known rules, which is generally the result of circumstances in which the person to be coerced has placed himself, then becomes an instrument assisting the individuals in the pursuit of their own ends and not a means to be used for the ends of others.] The second point is manifested in the fact that coercion can be exerted only by actors on actors. Freedom is always a matter of interpersonal relations. Outside those relations it remains just a senseless term.

This liberal view of freedom is criticized by Brodbeck who poses the question of whether society is not actually composed of a sum of individuals competing “all against all” led by their own egoistic interests. In his opinion social order is not an atomized diversity of individual acting actors but an interlaced structure of groups and organizations. Things being so freedom may not be simply identified with individual actor’s freedom.<sup>3</sup>

In modern societies people strive to attain individuality, to be discerned and recognized by what they do, how they do it and the outcome they reach.

<sup>1</sup> Hayek, F.A. *The Constitution of Liberty*. Chicago: University of Chicago Press, 1960, p. 17 [Hayek, F.A. 1971, *Die Verfassung der Freiheit*, J.C.B.Mohr, Tübingen, 13].

<sup>2</sup> Friedman, M. *Capitalism and Freedom*. Chicago: University of Chicago Press, 2002, 40th Anniversary Edition, p. 15 [Friedman, M., 2002 *Kapitalismus und Freiheit*, Eichborn, Frankfurt a.M., 38].

<sup>3</sup> Brodbeck, K., H. *Wirtschaftlicher Egoismus (48-54) in Erfolgsfaktor Kreativität*, WBG, Darmstadt 1996.

On the one hand, they are individuals having their own goals, life plans and notions of self-realization. This fact can not be neglected. On the other hand, they are social animals who are constantly in relations among each other and are actually part of groups, organizations and other similar communities whose dynamics can not be based on the atomized understanding of those participating in them. Society is greater than the sum of its constituent parts.

One can contrast the negative concept of freedom or of "freedom from restraints, coercion" with a positive understanding of freedom or, of freedom to "act" (choose).

Positive freedom is the possibility that the actor does what he wants within the limits of what society perceives as admissible.<sup>4</sup> The admissible is defined in both written rules (Constitution, laws, etc.) and unwritten ones expressing traditionally shared values and morality. What an actor wants to do is predetermined by his realized passions and interests which, the predominant number of cases is reduced to acquisition of property rights to desired resources. Without such rights the actor is in practice deprived from the possibility to participate in relations of exchange outside which he merely remains a non-self-sufficient individual who is unable to produce, by his own, all goods necessary for his reproduction. His scope of free action is made up of the property rights he possesses. The boundaries of that scope are the property rights of others. Robinson Crusoe is probably the only absolutely

free individual because no one challenged his scope of free action. Unfortunately, we are not Robinson Crusoes and we do not inhabit islands of our own. In that sense individual's freedom can not be an absolute freedom because it is confronted with the scopes of other actors' free actions.

Positive freedom is manifested in actor's capacity to act as a self-determining individual. There are, however, some hindrances to self-determination which are preserved even when everybody mutually refuses to submit by means of threat, force or extortion. The narrowness of property rights as well as the insufficient knowledge the actor possesses are precisely such hindrances.

While the order of negative liberty may result in a statist minimalism the order of positive freedom tends to a statist maximalism. Negative liberty is guaranteed by the constitution and laws. The order of negative liberty resembles an egalitarian parceling of space of relations among actors. Each actor has the same free space where he feels protected from inroads inflicted by others, including the state. All have equal powers and are equal before the law.

An order of positive freedom requires a considerable extension of the activity of the State. It takes up care for those of its citizens who may not obtain property rights to resources ensuring them a dignitary way of life and it is expected to find just mechanisms for redistribution of wealth.

<sup>4</sup> Prof. V. Manov has similar attitude towards that matter; in his opinion "The first definition of freedom (limits within which an individual, an economic agent or an economic entity can act unhindered by any other individual, economic agent or economic entities) contains in itself the interrelation of freedom and restriction. This interrelation in the economic system is a function of the relations of mutual determination of such system's components. To define (to distinguish) each component's field of action is a necessary premise for the realization of its freedom to function and expression, for the use and unfolding of its creative potential. People and economic agents are so strongly connected to each other that none of their actions could be considered an entirely personal matter because in some way it could be an obstacle to life and activity of others. Given that the activity of each member of society, that any action of each economic entity influences and is influenced by the activity of others we can not have infinity in either direction: neither the one of freedom, nor the one of restriction." Manov, V., Forecasting and Planning. Development and Functioning of Economic Systems. Sofia: Sofia: Economy University Press. 2001, pp. 166-167 [Манов, В., Прогнозиране и планиране. Развитието и функционирането на икономическите системи, Университетско издателство „Стопанство“, 2001, 166-167].

The institution of property, i.e. the lawfully recognized division of wealth into “mine” and “yours” is only one possible solution of conflicts in the field of individual freedom. The precise distribution of property rights makes clear who can dispose and what wealth one can dispose of, who and with respect to what one can be free. The property rights grant each actor a clearly outlined field of free action where no one can step in. For that reason the property rights are extremely important for actor’s freedom. Each exchange leads to reformulation of the field of actors’ free actions. In societies where the market institution is the main regulator of exchange relations between people freedom, embodied in property rights, is marketized. The more property rights an actor possesses the more relations of exchange he can choose to enter into. In cases of market exchanges where one of the exchangeable resources is money actor’s freedom, free choices of exchange he makes is, to a great extent, predetermined by his property rights to monetary resource.<sup>5</sup>

On the one hand, property rights provide the actor with a field of free action, on the other hand, only they enable the access to market exchange. By means of this twofold function of property rights the field of free action may get its economic assessment. Acquisition or loss of certain property rights and thereto related increase or reduction of individual freedom can be presented as an economic balance. By means of property rights freedom is economized (marketized) and turns, in itself, into a carrier of market benefits.

The coercion on market actor to obtain the necessary means for reproduction via the property rights in his disposal lead, quite naturally, to a situation where those who

possess more property rights are in a more advantageous market position because they have more market opportunities. The pressure to obtain more property rights in order to ensure a more stable base for actor’s existence leads to the continuous restructuring of his freedom.

The valorization of opportunities for market exchange is not the only consequence of what the market actor considers significant for himself. Also important is what others think of him/it. This is a judgment of his achievements, of what he has made of his freedom. Only the economic assessment, the valorization by others turns actor’s efforts into a market position. In that sense the achievement of one market actor is the contribution to creation of a public wealth as assessed by other market actors. When the actor is dependent upon the income generated by his property rights he has no other freedom apart from the one to use those property rights in such a way as to satisfy the needs of the others. This means: to create and/or offer goods that might turn into a desired object of exchange.

Market actor’s freedom to choose a market exchange (to exchange what, with whom and when) also presumes a realization of the consequences of such choice. It is necessary that the market actor understand that his field of free action also contains certain negative amplitudes. And they are related to certain insecurity of the consequences of choice. Only the rationalization of freedom not only as right to act but also as responsibility for the results of those choices makes it an effective principle of the commonness, in a moral imperative and a shared value. The latter necessitates that one distinguish between “true freedom and

<sup>5</sup> For more details about marketization please see Stoilova, V. Exchange and Marketization IN: Scientific Works of the University for National and World Economy, volume 1/2010, pp. 53-84 [Стоилова, В., „Размяна и опазаряване“, Научни трудове на УНСС, т. 1/2010 г., 53-84].

procedural freedom. The definition of man's true freedom is brief: this is the ordinary man's life of dignity in a country... this is the freedom from fear, hunger and lack of prospects."<sup>6</sup>

## Competition as a game of coercion

*It is important to realize that the opportunity to compete for the prizes society has to dispense is a social institution.*

*Ludwig von Mises*

Competition is a basic institution in societies where economic exchange is regulated by the market. Moreover, whenever one speaks of market this inevitably also means competition.<sup>7</sup>

The idea of competition as market order's constitutive principle is associated with the name of Adam Smith. Competition is one of the most important premises for market's functioning and for the realization of market's functions. Most often competition is understood as rivalry which arises when two or more actors try to acquire property rights to some resources and this can not happen simultaneously to each of them.

Participation in the game of competition is not the actor's free choice but coercion. Competition is in no case a voluntary competition, a game. It is rather the result

of the coercion in contemporary society that each market actor should take care, via his property rights, of his existence by offering for exchange goods desired by others. Each individual's coercion to fulfill the social role of "market actor" by means of his property rights presumes participation in the game of competition. Market as such turns into a hidden norm. Moreover, there are no other legitimate games outside the market in which the actor can participate in order to settle the issue of his own non-self-sufficiency by means of free choices of relations of exchange. This is the only legitimate game in society in which by way of market exchanges the actor can acquire property rights. (There are also some other legitimate games enabling the actor to acquire property rights such as donation and inheritance which, however, do not presume free choice of relations of exchange).

The market institution transforms each single act of the individual actor into a social act as far as it is done within the limits of certain rules (order) and is meaningfully oriented towards the others. Each similar act aims to make the actor a desired partner for exchange.

Market actors compete between each other for actors with whom they can carry out market exchange. The final purpose of each market actor is to acquire property rights to more monetary resource. Money is the only means by which an actor can take care of himself and his own Lebenswelt in a society based on private property because money can turn

<sup>6</sup> Manov, V. Forecasting and Planning. Development and Functioning of Economic Systems. Sofia: Sofia: Economy University Press. 2001, p. 167 [Манов, В., Прогнозиране и планиране. Развитието и функционирането на икономическите системи, Университетско издателство „Стопанство“, 2001, 167]

<sup>7</sup> "The only [actual] factor required for the existence of free competition is: the unhampered, unobstructed operation of the mechanism of a free market. The only action which a government can take to protect free competition is: Laissez-faire!— which, in free translation, means: Hands off! [...] There is no way to legislate competition; there are no standards by which one could define who should compete with whom, how many competitors should exist in any given field, what should be their relative strength or their so-called "relevant markets," what prices they should charge, what methods of competition are "fair" or "unfair." None of these can be answered, because these precisely are the questions that can be answered only by the mechanism of a free market." (Rand, Ayn. Capitalism: The Unknown Ideal. New York: Signet. 1967.)

into quite many goods necessary for his social reproduction. "If you want to acquire wealth, writes von Mises, then try to satisfy the public by offering them something that is cheaper or which they like better."<sup>8</sup>

Individual market actor participates in competition by certain stock of knowledge and information. An important component of that information is the knowledge of prices of the resources offered for market exchange. The price of a resource offers the actor information not only about how much but also about what he can get. The understanding of economy, market, competition passes through the understanding of the scarcity of resources. But which goods are scarce or which resources are goods or are scarce and valuable is one of the circumstances which are a result also of competition as an element of the rules in society under which the property rights to goods are to be distributed.

Within the limits of competition what is important is who determines the rules of the game. In other games the most common association is the one with sports games, rules are set from the outside and there is a referee, an umpire who sees to their observation. Competition is characterized by the fact that it is not only a matter of competition according to the rules but also of who should create those rules. Generally speaking, the arbiter of those rules is the state: it creates them and it sees to their observation in a lawful way. One can also always identify different groups and communities trying to change those rules to their benefit.

In neoliberal theory it is assumed that competition needs two main rules in order to function as a mechanism for distribution of property right, namely: to guarantee property

rights and freedom to contract which means that each market actor can enter into voluntary agreements with any other actor.

Agreements as well as property rights should be protected by the State. To ensure these two rights as a whole is one of the most important tasks of each liberal state.

Protection of property rights and freedom to contract are a necessary but not sufficient condition to ensure competition because the latter tends to erode the very conditions that are premises for its functioning. Freedom for competition in itself, i.e. the right of every person to pursue his own interest may lead to the emergence of market power limiting the possibilities of individual market actors. As a result from that the state must also assume the role of a guardian of the market, including the competition order. This competition order must be the framework and the bearer of moral values and the rules for competition that arise out of that. The point is not about protection of certain market actors but of protection of competition as a mechanism, as a tool. In itself competition can not limit the egoism of competitors, to do so one also needs the state. That's why one can not rely on the assumption that actors' egoism actually goes to the point beyond which a destruction of commonness follows. This is the healthy borderline of egoism because only a mentally ill man would have the illusion that one can live outside any community whatsoever.

Competition comes to replace the ethical standards limiting actors' actions in traditional society and turnя into competition of a kind between egoistic market actors. Each actor becomes a moral instance for the rest by demanding the observance of certain behavior and the observation of the established rules.

<sup>8</sup> Ludwig von Mises. *The Anti-Capitalistic Mentality*. The Ludwig von Mises Institute Auburn, Alabama. 2008, p. 10 [Мусес, Л., Антикапиталистическото мислене, Изг. Суела, 2008, 25].

Each rule of behavior is an ethical rule, i.e. a prescription for certain behavior. In this sense the rule contains a value assessment of which the actor's admissible actions are. All market actors are obliged to conform to and observe the rules arising out of the property rights and freedom to contract.

Competition leads to a constant restructuring of the fields for free action of market actors and shows a tendency that those who have had any advantage (e.g. by possessing more property rights and/or by disposing of more information) turn that advantage into a position of power enabling them to extend the scope of their free action. These two circumstances can not destroy competition but they can create premises for certain market actors to obtain positions of power enabling them to enter much more easily into the field of free action of others in order to obtain their own benefit. Such is the case with monopolist market actors who are bearers of certain economic power.<sup>9</sup>

There is a close interrelation between freedom and competition which is established by the institution of property. Competition's greatest contribution to ensuring freedom is that market actors are mutually restricted while pursuing their own egoistic interests. The distribution of property rights and their protection by the state as well as the voluntary nature of market exchange restricts the power of any market actor to impose his will on others<sup>10</sup>. The competition is relied upon not to allow the egoistic interests of

any market actor to be attained at the expense of other market actors. The balance of interests is achieved if, in terms of the existing possibilities for choice no market actor is directly dependent upon another in order to satisfy his wants. For the institution of property provides each individual with a field for free actions which is determined by the property rights he possesses and in which no one may enter save by means of voluntary market exchange, it is impossible, by definition, that one market actor could have power over others.

Each unwanted, non-agreed intervention into the field of freedom, this is to say, into the property rights of an actor is prevented by the power of the state whose function is to protect the property rights. But here there is a quite important circumstance. Each is free to choose the objects and partners of market exchanges but each is FORCED to make such exchanges: he has no other way of existence. The one who possesses work force has no choice: he is forced to sell it, the producer of goods is forced to sell them. Each is forced to use in certain form his property rights, i.e. his freedom in order to obtain those goods that are necessary for his reproduction. In such a situation those actors who can disengage from competition for a long period by possessing relatively more property rights have advantage. They could afford to wait and abstain from market exchange until there arise circumstances allowing them to make the market exchanges that are advantageous for them. For that reason one can assume that

<sup>9</sup> "[...] economic power is exercised by means of a positive, by offering men a reward, an incentive, a payment, a value; political power is exercised by means of a negative, by the threat of punishment, injury, imprisonment, destruction. The businessman's tool is values; the bureaucrat's tool is fear." Rand, Ayn. *Capitalism: The Unknown Ideal*. New York: Signet. 1967 [Айн Ранд, Капитализъм – непознатият идеал, Изг. Изток-Занаг, 2006, с. 58].

<sup>10</sup> "Wealth, in a free market, is achieved by a free, general, "democratic" vote—by the sales and the purchases of every individual who takes part in the economic life of the country. Whenever you buy one product rather than another, you are voting for the success of some manufacturer. And, in this type of voting, every man votes only on those matters which he is qualified to judge: on his own preferences, interests, and needs. No one has the power to decide for others or to substitute his judgment for theirs; no one has the power to appoint himself "the voice of the public" and to leave the public voiceless and disfranchised." Rand, Ayn. *Capitalism: The Unknown Ideal*. New York: Signet. 1967 [Айн Ранд, Капитализъм – непознатият идеал, Изг. Изток-Занаг, 2006, с. 57-58].

property rights and the field for free action related to them tend to shift to those actors who, in either case, are in a more advantageous starting position in competition. In practice the freedom of those actors who are compelled to effect exchanges under the conditions of strong competition and dispose of limited property rights is significantly restricted. For coercion to participate in competition makes it impossible to decline disadvantageous offers or conditions, i.e. to do market exchange even when you are convinced that you are compromising and with the clear understanding that this is not the best thing you want to do. To that also contributes the fact that there is an asymmetrical knowledge of market actors regarding the possibilities and conditions of different market exchanges.

The competing egoists are sufficiently creative to disengage from the specific pressure. This is evidenced by the various forms of manipulation of actors, most often in the form of misleading advertising. The talent for flattery, hypocrisy, manipulation, lie and deceit regarding one's own advantages or those of the offered product for exchange and a number of other similar skills find their reward in the process of market exchanges.

The competition having the nature of **record-type game** is very important for development of society. In that kind of game in practice there are no losing actors. Competition as striving for the attainment of record achievements is not a zero-sum game, it is a source of increase, growth of abundance, prosperity and achievements. The subject of that kind of competition are not the scarce resources, to which not everybody can acquire property rights. In this case actors compete for achievements in various areas of social life, e.g. education, science, art. In

economy, that kind of competition relates, first and foremost, to technological innovation.

The substance of that kind of competition could be better clarified in the context of division of wealth into two main types. On the one hand, there are goods which are private but, in principle, accessible to all: they constitute the so-called "democratic wealth", for example foodstuff. On the other hand, there are goods which in their nature are limited and remain so regardless of how fast the society's wealth grows. They include the so-called "oligarchic wealth" or status wealth, e.g. property rights to a Goya painting or a Fabergé egg. Regardless of how rich an actor could be in a society there is only one who owns certain painting by Goya. These two types of goods are also discerned by Russell<sup>11</sup>, by adding a third one. In his opinion there are also inherent, intrinsic values with respect to which their possession by some actors does not reduce their possibility to be also possessed by other actors. This category includes goods such as health, friendship, love. This third category of goods differs from the first two in that they cannot be that easily obtained by all as, for instance, food products, on the other hand, they may not be restricted as a possession to a small circle of actors as it happens with status wealth. The first are being bought and sold, the others are not.

In society it is very important that competition should not degenerate into a life and death struggle, into a "**struggle-type game**" dominated by the gladiator's view of life: the one who is the strongest, the fastest and the most cunning lives for one more day of fight.<sup>12</sup> In order to avoid that the game must conform to rules restricting actors' actions but allowing

<sup>11</sup> Russell. B., Human society in Ethics and Politics. London, 1954, p. 132.

<sup>12</sup> Shermer, Michael. The Mind of the Market. Economics for Everyone. Sofia: Iztok-Zapad Publishing House, 2010, p. 47 [Шърмер, М., Пазарното мислене. Икономика за Всеки, Изг. „Изток-Запад“, 2010, с. 47].

them to compete with one another for success or victory.

In the process of social division of labor the almost animal conflict of all against all is overcome by its transformation into competition subject to rules where one is speaking not of life and death but of conquering certain positions in market game. By means of the rules an attempt is made to overcome all oppositions between the interests of individual market actors in the name of a common interest, namely: to keep and continue the common game. The well-known refrain from Freddie Mercury's song "The show must go on" in this case can be reworded as "The society must go on." Society, social division of labor must keep on existing as far as outside it man would lose any other identity save for the belonging to certain animal species and would face its biggest problem: his own non-self-sufficiency.

It is a matter of extreme importance that actors should recognize the rules of competition as fair which is a premise for their observance. (When speaking of fairness and justness of the rules we mean the fact that they allow the participants to compete with each other only based on their professional achievements and do not create any advantages for some actors at the expense of others).

There are two points of importance in this case: on the one hand, to play the game fairly all actors must observe its rules, on the other hand, the very rules must be fair, just and be perceived by the participants as such. The observance of rules does not necessarily mean they are perceived as fair by market actors. Very often actors play by the rules only because of fear of punishment for non-observance and not because of conviction that precisely these rules give everybody an opportunity to occupy certain positions only on the basis of their own achievements.

The neoliberal assumption and expectation that competition leads to a greater freedom and is even a premise for such freedom is to a great extent an illusion. This expectation is mainly based on a contradictory abstract law notion of individual freedom and a limited understanding of competition. As far as freedom and competition should be thought together one should consider the presence of factual alternatives for action (market exchange). Within the possibility to marketize (valorize) the freedom of market actor by means of property rights one may get to absolute loss of freedom to act. On the one hand, this is done by the fact that the predominant part of goods which until recently were considered common pass into private hands so those who have no property rights to them can not take any action with and by means of them. On the other hand, competition forces actors, especially in times of crisis when competition pressure is too strong to take actions with almost all of their property rights (e.g. savings) which will undoubtedly limit their filed of free action (freedom) to a considerable extent.

## Market order as a triumph of freedom and competition

*Whatever men live for, today most  
live only because of the market  
order [The Fatal Conceit]*

*Friedrich von Hayek*

Market order is a component of state's social order. It is characterized by the existing legal order that can be found in the constitution, laws on commerce and all laws regulating the relations of market actors. Market orders of individual societies differ. They are a result from the existing constitutional systems of the states and the established institutions

regulating the relations of market actors. The main questions whose answer is sought by the market order of a society are:

- How can property rights to goods be acquired?
- Which are the allowed forms of entrepreneurship, investments, i.e. what can be lawfully produced for the purpose of market exchange?
- Which are the admissible economic principles and pricing systems<sup>13</sup>.

Market order is the totality of all market actors and rules by which they make their free choices of production and market exchange of property rights to goods.

Any market order regulates the exchanges among the actors in a way that enables a solution to the problem of scarcity of resources. The main function of the economy of a society is to resolve the problem with scarcity of resources by producing and distributing the property rights thereto. The market order as a pool of rules defines how such distribution of property rights is effected by the exchange relations among the actors.

As such it ensures the functioning of economy of the society, carries out the coordination among market actors and furthers the attainment of the basic social aims such as freedom, security, justice and prosperity.

When speaking of market order we always mean freedom and competition, when speaking of competition we inevitably mean freedom and market exchanges. And it is as if we are the most sensitive with respect to freedom regardless of whether we are speaking of competition or of market.

One can be free in a society when others use their freedom responsibly, i.e. take into account the effects of the uses of that freedom. If we look at the market as an irresponsible freedom then we destroy our social freedom. And as often we are not ready to voluntarily carry out our obligations we inevitably rely on the state to ensure justice. The one who has power is always tempted to abuse his freedom when the others do not hold him liable for his actions. It is paradoxical that the free man needs more state, i.e. rules guaranteeing the predictability of actors' actions. Which and what exactly are those rules – the answer to these questions can not be found in a catalogue of solutions similarly to a cooking book. Rules must be sought by all of us as we are clearly aware that when choosing them we should not be guided only and solely by one criterion (e.g. maximization of benefits that the actors strive to achieve) but we must take into consideration the diversity of statutory requirements that would make our common life possible. This means values for the achievement of which we must create norms and laws to which the actors should submit their behavior. Very often the desired and shared values are in constant tension between one another. Important is the role of the state to bring that tension down.

The political, in the face of the state, effects the organized monopoly of power (the force of the law) and implements the integration of society. The state organizes the coercion of relations and thus creates the integration of individuals, including as market actors.

The tangible basis of politics is the success of producing capital taken under the guardianship of the state. The State must create and guarantee the availability of conditions for a successful accumulation of capital and ceaselessly improve

<sup>13</sup> For more details about market order, please see: Stoilova, V. Market Order. Sofia: Economy University Press. 2002 [Стойлова, В., Пазарният ред, Университетско издателство "Стоманство", 2002 г.].

such conditions. The politics' structural problem is that the state tends to disengage from the capital as the tangible basis for an increasingly smaller part of the capital is state-owned. This notwithstanding the state is still the director of the game and it is only the state that can create and maintain legitimate rules and impose legitimate sanctions in case of non-observance thereof.

While the fundamental rights in a society such as, for instance, individual rights, the right to freedom, separation of powers, etc. can be fixed in the constitution of a society market order of the same contains a progressive thought because it is an open system that must be capable of adapting to the changing social conditions. It must be open to further development and adjustments.

### In place of conclusion

The "freedom – competition – market order" triad is a creative achievement of people developed in thinking of rules, of an order, outside of which it is impossible. Such thinking is one of modernity's characteristics.

Nowadays a coherence of state and market is required which is manifested in the following: market requires a modern, democratic state where actor's liberties should be the foundation of legal order and the state can not be democratic if there are no conditions for free choices of production and exchange

of goods. And the question deals not only with building an order embodying the values of freedom, competition and market but also with specifying what direction the society's transformation will take. And it depends only on the rules of social game whether it will show its best!

Naturally, people want what is best for them but most people also want what is just. If there is no structure that sets and imposes strict and just rules meeting the two needs as aforesaid people grow much more selfish instead of being interested in others and if this lasts long enough, one arrives at a *bellum omnium contra omnes* – "the war of all against all."<sup>14</sup>

In order that free markets be also free and just we need political states based on lawfulness, property right, safe and reliable banking and monetary system, economic stability, reliable infrastructure, protection of civil liberties, clean and safe environment and various freedoms: of movement, press, association and education. We need solid army to protect our freedoms against foreign attack. We need a capable police to protect our freedoms against others in the same state. We need a reliable legislative system imposing fair and just laws. We need an efficient judicial system to see to the observance of these fair and just laws.<sup>15</sup>

But, first and foremost, we need an unambiguous understanding of the values we are ready to share and clear and non-contradicting rules to which we should submit our behavior. **EA**

<sup>14</sup> Shermer, Michael. The Mind of the Market. Economics for Everyone. Sofia: Iztok-Zapad Publishing House. 2010, p. 246 [Шърмер, Майкъл, Пазарното мислене. Икономика за Всеки. Изг. „Изток-Запад“, 2010 г., 246].

<sup>15</sup> *ibid.*, p. 72.