

From market economy to market society

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Luigino Bruni's Dictionary continues: a guide to rereading the key words of economic behavior, after breaking down the myths and bursting a few bubbles. Last week we talked about "Profit".

The word MARKET holds in itself a plurality of meanings. Originally, market was the physical place where exchanges took place: the Greek agora, the Roman forum, the Medieval square, the fairs. In traditional civilization, the market held (and still holds in some parts of the globe) a limited territory, although important, in civil life.

On all other days, the principle regulating institution for production and allocation of resources wasn't a market based on prices and money. This role was mainly carried out by self-production and redistribution of wealth.

This non market economy gave way to the market economy, a process which immediately underwent strong acceleration in the last two centuries, when the market became the main institution for allocating resources in the society. The system of prices is that which is most "visible" of the market mechanism, and is also that which guarantees that resources are produced and distributed. Without this mechanism, the decision of what to produce and how much is extremely complex.

Today, the market economy is transforming itself into a market society: what is the difference? In an economy where markets exist but which is not a market economy, the market is an institution that in certain moments and places supports other institutions, like the family, the clan, the Church, the court, the State.

These other institutions are those which primarily guarantee economic, and civil, life. With the arrival of the market economy, the market takes the central role of the economic sphere, but the other institutions (family, community...) continue to remain central in the other spheres and circles of social life.

When, instead, we move into a market society, the economy mechanisms (prices, contracts...) are managed not only the economy but the entire civil life, which begins to be viewed as a series of contracts, of interests, and of mutually advantageous exchanges.

Without a market economy, freedom and equality are not guaranteed, as geriarial and fuedal systems take the upper hand. When, however, we give life to a market society, it's fraternity that gets neglected, as there are citizens in the society which are not reached by contracts, because they are not bearers of income (stakeholders) but only bearers of needs (needholders).

And without fraternity, not even equality and freedom (great conquests of the market economy) are able to fully develop and flourish into good life. (...continues).

Next week, the fourth word: BANK