

mate of their requirements, if he makes the wrong sizes, or styles that are not wanted, or uses inferior materials, people will not patronize him and he will suffer a loss. He will have no wage return for the labor he puts in and no return for the capital—the hides and machinery—which he uses in making his unwanted product. The best he can do under the circumstances, in order to recoup some of his investment, is to hold a bargain-basement sale. That is the correlative of profits—losses.

No entrepreneur is wise enough to predetermine the exact needs or desires of the community he hopes to serve and his errors of judgment always come home to plague him. But, the point to keep in mind is that when an entrepreneur profits, he does so because he has served his community well; and when he loses, the community does not gain. A business that fails does not prosper society.

### **The Distributive Function**

The market place not only facilitates the distribution of abundances—including the abundances that nature has spread all over the globe, like the coal of Pennsylvania for the citrus fruit of Florida, or the oil of Iran for the coffee of Brazil—but it also directs the energies of all the specialists who make up society. This it does

through the instrumentality of its price-indicator. On this instrument are recorded in unmistakable terms just what the various members of society want, and how much they want it. If the hand on this indicator goes up, if higher prices are bid for a certain commodity, the producers are advised that there is a demand for this commodity in excess of the supply, and they then know how best to invest their labors for their own profit and for the profit of society. A lower price, on the other hand, tells them that there is a superfluity of a certain commodity, and they know that to make more of it would entail a loss because society has a sufficiency.

The price-indicator is an automatic device for recording the freely expressed wishes of the community members, the tally of their dollar ballots for this or that satisfaction, the spontaneous and noncoercive regulator of productive effort. One who chooses to tamper with this delicate instrument does so at the risk of producing a scarcity of the things wanted or an overabundance of unwanted things; for he disturbs the natural order.

### **Beneficiaries of Competition**

One more social function of the market place needs mentioning. It is the determinant of productive

efficiency, provided, of course, it is permitted to operate according to the unimpeded motive power of free will. In the primitive economy we have been examining, one shoemaker can take care of the shoe needs of the community. Under those conditions, the efficiency of that server is determined by his skill, his industry, and his whim. He alone can fix the standard of the service he renders his customers, or the prices he charges. Assuming that they can go nowhere else for shoes, their only recourse if they do not like his services or his prices is either to go without or to make their own footwear.

As the community grows in size, another shoe specialist will show up to share the trade with the first one. With the appearance of a second shoemaker the standard of efficiency is no longer determined by one producer. It is determined by the rivalry between them for the trade of the community. One offers to fix shoes “while you wait,” the other lowers his prices, and the first one comes back with a larger assortment of sizes or styles. This is competition.

Now the beneficiaries of the improved services resulting from competition are the members of society. The more competition and the keener the competition, the

greater the fund of satisfactions in the market place. Oddly enough, the competitors do not suffer because the abundance resulting from their improved efficiency attracts more shoe customers; “competition,” the old adage holds, “is good for business.”

If, perchance, one of the competitors cannot keep up with the improving standard of performance, he may find himself out of business; but the increased productive activity resulting from the competition means that there are more productive jobs to be filled, and in all likelihood he can earn more as a foreman for one of the competitors than he could as an entrepreneur. Even those physically unable to care for themselves and dependent on others are benefited by competition; when there is an abundance in the market place, charity can be more liberal.

### **Immutable Laws Prevail**

I am not attempting here a complete course in economics. What I have tried to show is that in economics, as in other disciplines, there are inflexible principles, inevitable consequences, immutable laws written into the nature of things. Exercising his free will, man can attempt to defy the law of gravitation by jumping off a high place; but the law operates