THE EVOLUTION OF THE MARKET: TRADE AND CIVILISATION*

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"How much is something worth? Whatever the market is willing to pay for it."

Samuel Butler

"Where there is trade, there are gentle manners."

Montesquieu

The expansion of order into the unknown

We have already referred to the circumstances that fostered the emergence of extensive social orders, as well as the reasons why such orders both require and generate plural ownership, freedom and justice. We shall now analyse some other issues related to the foregoing, in particular the processes that gave rise to the evolution of trade and specialisation. These last two phenomena, which contributed so much to the expansion of social order, were scarcely understood in the early stages of civilisation. This lack of understanding has persisted for a long time, affecting even many eminent scientists and philosophers, none of whom, of course, ever managed to organise them deliberately.

The historical periods, circumstances and processes in question come to us shrouded in the mists of the past, so it is not possible to address their details with certainty and precision. Some level of specialisation and exchange must already have existed in the small communities where coexistence was based on the consensus of all its members. An embryonic form of trade might even have arisen

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amongst the most primitive savages who, following the migratory patterns of certain animal species, would have discovered the existence of other human groups. Although there is convincing archaeological evidence of early trade, such evidence, whilst scarce, can easily be misleading. The items involved in such trade would almost certainly have been fungible, which is why they have left no trace of their existence. The less common goods that prompted some to part with such possessions would almost certainly have been of a more durable nature, given that they were regarded as stores of value. The absence of the materials needed to make ornaments, weapons and tools at the sites where these items have been found suggests that they must have been the subject of commercial exchange. We cannot, of course, uncover archaeological evidence of the salt trade, although remains of some of the items exchanged in return do occasionally turn up. It was not, however, the desire to acquire luxury goods, but rather to meet the most basic needs, that made trade an indispensable institution on which more and more primitive communities came to depend for their survival.

The existence of significant regular trade in Homer's time is reflected in the episode of the *Odyssey* in which Athena visits Telemachus in the guise of a ship's captain who has arrived with a cargo of iron to be exchanged for copper. The great expansion of commercial activity, which gave rise to the subsequent flourishing of classical civilisation, took place, according to archaeological research, even in the remote times for which we have almost no historical documentation, that is, in the centuries between 750 and 550 BC. This commercial expansion appears to have led, at that time, to a marked increase in the population of Greek and Phoenician trading centres, which rivalled one another in the establishment of colonies, to the extent that by the beginning of the classical era they all depended vitally on regular commercial activity.

There can therefore be no doubt as to the existence of a certain degree of commercial activity even in the most primitive stages of history, nor as to its decisive influence on the development of larger-scale societies. Such a process, however, could only make headway amidst great difficulties and would undoubtedly entail the severing of many tribal ties. Once some sort of consensus had even emerged regarding the desirability of respecting shared ownership, certain previously unimaginable practices had to be tolerated so that communities would come to allow—for the benefit of outsiders, and in order to meet needs only partially susceptible to be identified by the traders themselves—not to mention the general population—certain goods coveted by the community, which would otherwise have been used to meet specific local needs, were exported. For example, the seafarers from the nascent Greek trading centres, who transported ceramic vessels filled with oil or wine to the Black Sea, Egypt or Sicily in exchange for grain, were certainly withdrawing from the local supply resources that were sought after by those living in the immediate vicinity, and all this for the benefit of people about whom those local populations knew almost nothing. By allowing this to happen, the members of the small group had to abandon their own frameworks in order to reorient themselves towards a new understanding of a world in which the importance of their own group was considerably diminished. As Piggott emphasises in *Ancient Europe*, 'those who discovered new resources and those who subsequently exploited them, the traders and middlemen, the organisers of voyages and trade caravans, concessions and treaties, the concept of foreignness, as well as the different customs prevailing in various geographical areas, all contributed to the expansion of social spheres necessitated by humanity's access to a new technological level… the Bronze Age' (Piggott, 1965:72). And the aforementioned author, referring to the Middle Bronze Age corresponding to the second millennium, also states that 'the existence of maritime, fluvial and terrestrial communication networks gave an international character to much of the copper craftsmanship of that period. Identical techniques and styles are found throughout Europe' (*ibid*., 118).

What might have been the practices that facilitated these new patterns and the emergence not only of a new way of conceiving reality, but even of a kind of 'internationalisation' (a term which, of course, I am using anachronistically) of styles, techniques and attitudes? They would certainly include hospitality, as well as safe passage and personal security for the stranger (see the following section). From very ancient times, the vaguely defined tribal territories had been intertwined by the commercial relations established between individuals who ventured to adopt these new practices, which would eventually give rise to commercial contacts which, over great distances, would transmit a sort of 'micro-elements' conducive to trade. All this enabled the emergence of sedentary civilisation in new places and, consequently, of specialisation—processes that would ultimately culminate in population growth. A sort of chain reaction thus began, whereby increased population density facilitated the discovery of new opportunities for specialisation, which in turn allowed for a further expansion of the division of labour; this, in turn, drove further population growth and higher standards of living, and consequently further population growth, and so on.

Trade made population growth possible

This 'chain reaction' warrants closer examination on our part. Whilst, generally speaking, certain animals are adapted to specific 'ecological niches' that strictly limit their potential for expansion (as they cannot easily survive outside them), the human species — and a small group of animals, such as rats — has been able to adapt to almost any part of the planet. This is not a consequence of their ability to adapt at an *individual* level. Only a small number of local environments could have provided what was required for the manufacture of the tools that enabled humanity to progress from the hunter-gatherer stage to sedentary civilisation, not to mention those required for any agricultural activity. Without the support of fellow humans from other areas, the regions where most people wished to settle would have been entirely uninhabitable, or habitable only at the cost of great effort. Those relatively scarce self-sufficient niches, fiercely defended against invasion by any intruder, would surely have been the first in each geographical area that humans would have ventured to inhabit permanently. Gradually, however, it would come to the attention of these inhabitants that certain neighbouring areas were also capable of meeting almost all their needs, although they might lack a few others, because for example, items such as flint, the fibres required to make the strings for their bows, the adhesives used to attach the handles to their instruments, the tannin used to tan hides, or other such materials. Confident that they could always return to their former homes to seek out these supplies, some would occasionally venture to leave their previous surroundings to settle in neighbouring areas, and would even venture into even more remote and sparsely populated regions, of which there was certainly no shortage in the vast continental areas where these people lived. One must not fall into the error of assessing the importance of such movements purely in quantitative terms; for, however modest their contribution to the consumption of a particular environment might have been, had they not had access to the aforementioned materials, the various populations would have had little chance of survival, not to mention the difficulties they would have faced in multiplying.

Their sporadic visits to their former homeland would not pose any particular problems as long as those who had once migrated were still recognised by those who had chosen not to leave. With the passage of time, however, their descendants would begin to be regarded as strangers by the inhabitants of the better-supplied areas, who would strive in every possible way to defend both local production and their exclusive environment. For this reason, and in order to secure the goodwill of the local population, those seeking to obtain specific goods unavailable elsewhere would not hesitate to bring with them certain gifts as a token of friendship. And to make such items more appealing to their former colleagues, they would ensure that they were not limited to satisfying basic needs—already met by local production—but were capable of meeting a more refined demand. Consequently, the items offered must generally have been 'luxury goods', though this does not imply that those received in exchange were of the same kind. Regular exchange based on the barter of gifts would probably arise amongst members of the same family, whose mutual obligations of hospitality would surely be linked to exogamous rituals. The transition from the exchange of gifts amongst people connected by family ties to the emergence of more impersonal institutions comprising intermediaries or agents who, on a regular basis, would facilitate such contacts, arranging on behalf of the parties concerned the necessary guarantees of personal safety for the time required to acquire what they needed and to set the prices of the various items according to their relative scarcity. With these prices ranging from the minimum deemed acceptable by the seller to the maximum that would render the transaction unviable, all market values would gradually become established; and, inevitably, traditional prices would adapt to the new circumstances.

In any case, the emergence of the important figure of *the xenos*—the host-friend who guaranteed the merchant's safety in foreign territory—can already be observed in ancient Greece. Commercial exchange would initially arise on a very personal level and would only gradually gain momentum, as it would be tolerated by the warrior-leaders on the basis that these were transactions carried out on a non-profit basis. Those who already possessed some wealth would undoubtedly not only be best placed to offer hospitality to relatives from other regions, but, as these relationships became established, a wealthier class would emerge from among these social strata, situated at the nerve centres of a commercial network capable of meeting the most fundamental needs. The *foreigners* from Pylos and Sparta, to whom Telemachus turns in search of information regarding his father, the 'great traveller Odysseus' (*Odyssey*, Book III), probably belonged to this class of commercial agents, some of whom, through the accumulation of resources, went on to become kings.

Such greater opportunities for cooperation between outsiders would undoubtedly help to accelerate the abandonment of the direct solidarity characteristic of the tribe, of unanimity regarding objectives and, in general, of the collectivist approaches that so distinctly characterise small-scale primary groups. In any case, certain individuals would thus free themselves from the behavioural constraints imposed by the small community and, as a result, would succeed in establishing not only a number of new population centres, but also the foundations upon which would subsequently emerge a communications network that would allow anyone to access the economies of many other communities; a network which, with its innumerable ramifications and new centres of information dissemination, has ultimately come to span the entire planet. In short, primitive social orders enabled certain individuals to direct their unintentional and unconscious efforts towards the establishment of a more extensive and complex order, the evolution of which at all times exceeded any possible foresight on the part of both the actors themselves and their contemporaries.

To create this order, various individuals utilised certain information available only to them personally. They certainly could not have done so had certain practices not been tolerated, such as the existence of the *xenos*, a figure who, as mentioned, served the foreign merchant. In fact, such initiatives could vary widely in terms of their objectives and be based on information of a purely personal nature, all of which undoubtedly fostered the development of private enterprise. For, in fact, only the individual—never the group—was in a position to gain access to the inner circle of the foreign community and thus be able to uncover information unknown to their fellow tribesmen. Trade could not be based—I emphasise—on collective knowledge, but exclusively on individual knowledge: only the gradual acceptance of plural ownership could have facilitated its emergence. Although the various navigators and merchants were motivated, in their endeavours, by personal gain, the prosperity, higher standard of living and population growth that soon emerged within the various groups (benefits facilitated by those innovators who devoted their efforts to trade rather than to local production) fostered the continuous emergence of a wide range of new opportunities.

To avoid any misinterpretation, I would like to remind the reader straight away that it is only of secondary importance to elucidate *why* humanity came to adopt new changes or customs. Of greater significance is the realisation that, for a custom or innovation to take root, two conditions must be met. Firstly, circumstances must exist that allow certain practices—whose usefulness no one currently perceives or values, are, in fact, respected; and, secondly, those relative advantages must materialise which enable the group in question to prevail over the others by virtue of its superior demographic capacity.

Trade **predates the State**

The fact that the human species has managed to cover most of the earth with the density it has achieved, and that it has been able to sustain such a large population even in geographical areas barely capable of producing the essentials for its survival, is due to the fact that humanity, like a colossal, expanding body, has been able to spread to the most remote areas and obtain from each of them the resources necessary to feed everyone. In fact, I do not think it will be long before even Antarctica is teeming with well-paid miners. An observer viewing our planet from some point in space might interpret this phenomenon—and the numerous environmental changes that accompany it—as an organic process. But that is not the case: such a grandiose expansion is merely the consequence of individual behaviour developed, not through the impulse of our instinctive inclinations, but through the adoption of the habits and patterns of behaviour that we have inherited from generation to generation. Nor do traders and their local collaborators (as was also the case with their primitive predecessors) usually know in detail the specific needs that their efforts satisfy. A large number of these needs, in fact, do not even materialise until a time so far in the future that no one is in a position to assess them today, even approximately.

The more deeply one delves into the study of the history of economic processes, the more erroneous the thesis appears that the establishment of a highly organised political power marked the beginning of civilisation. There is much exaggeration surrounding the role played by rulers in the course of history because, obviously, we have received far more information about what they did than about what coordinated individual activity actually achieved. This skewed legacy stems from the nature of the preserved remains — writings and monuments, for example — and is encapsulated in the anecdote (which I hope is apocryphal) of the archaeologist who, having observed that the oldest price lists for various goods were carved into monoliths, concluded that it was always the ruler who set them. No less preposterous, on the other hand, is the assertion in a well-known scientific essay that, since no suitable open spaces were found amongst the ruins during the Babylonian excavations, there could not have been regular markets in that civilisation—as if, in such a hot climate, people were going to gather outdoors!

The process of expanding trade into new areas was hindered rather than facilitated by the public authorities. Those peoples who granted merchants freedom of movement and security benefited from having access to a greater wealth of information, thanks to their higher population density. However, as soon as their rulers realised their subjects' dependence on imports of certain foods and goods, they endeavoured to ensure, in some way, the arrival of these supplies. In the dawn of history, many rulers, alerted by the economic process itself to the existence of desirable resources in foreign lands, embarked on military expeditions or colonising endeavours. The Athenian political classes were neither the first nor, certainly, the last to attempt such ventures. It would be absurd to conclude, however, as certain modern authors seem inclined to do (see Polanyi, 1945, 1977), that during the historical periods of greatest prosperity and demographic expansion in Athens, commercial activity was 'administered' or regulated by the rulers through appropriate treaties, or that prices were fixed by the authorities.

It seems far more likely that, with stubborn persistence, the public authorities projected their pernicious interference into the spontaneous cultural evolution which, on many occasions, they surely even brought to a definitive halt. The Byzantine governments of the Eastern Roman Empire provide a good example (see Rostovtzeff, 1930, and Einaudi, 1948). The history of China, for its part, is replete with instances in which the organs of power have attempted to establish such a perfect organisation of society that all innovation became impossible (Needham, 1954). This country, far more advanced scientifically and technologically than Europe (where, to cite one example, as early as the 12th century there were ten oil wells in operation along a single stretch of the River Po), owed its decline—but not its earlier development—to the manipulative power of its rulers. What caused China's highly advanced civilisation to be overtaken by Europe was its rulers' insistence on controlling everything so exhaustively that any possible evolution was nipped in the bud, whilst, as noted in the final chapter, Europe probably owes its extraordinary expansion in the Middle Ages to the political anarchy of that era (Baechler, 1975:77).

The blindness of the philosophers

Perhaps the extent to which the government's deliberate policy had little influence on the emergence of commercial centres—particularly in Athens and later in Corinth—and the extent to which the true source of their prosperity was misunderstood, can best be illustrated by Aristotle's complete failure to grasp the advanced market order in which he lived. Although he is sometimes cited as the first of the economists, what Aristotle understood by *oikonomia* was, in reality, an attempt to 'guide the productive activity of a household or, at most, a small business or farm'. He had nothing but contempt for the greedy endeavours of the market, the study of which he termed *chrematistics.* Even though the very survival of his Athenian contemporaries depended on grain imported from afar, the ideal order for him remained *autarkos*, that is to say, self-sufficient. And although this philosopher has also been regarded as a biologist, two basic concepts relating to the formation of complex structures were alien to him, namely, evolution and the self-organisation of order. As Ernst Mayr (1982:306) has stated, 'the idea that the universe might have had complete chaos as its starting point, or the assumption that complex organisms might be the result of an evolution beginning with simpler ones, in no way form part of Aristotelian thought'. In other words, Aristotle never considered the possibility of resorting to evolutionary explanations. He seems to have been unable to interpret 'nature' (or *physis*) as a process of growth (see Appendix A), and was equally unfamiliar with certain distinctions regarding orders that had already been established by the pre-Socratic thinkers, such as those distinguishing between a spontaneously formed *kosmos* and a deliberately established order (for example, an army)—a type of order that earlier philosophers had termed *taxis* (see Hayek, 1939:37). For Aristotle, every order of human activities is *taxis*, that is to say, the result of the deliberate organisation of individual action by an ordering mind. As we have already seen (Chapter I), Aristotle expressly stated that order could only exist in spaces small enough for everyone to hear the herald's voice—spaces which, as a rule, were easily controllable (*eusynoptos, Politeia*: 1326b and 1327a). 'A group that is excessively large cannot participate in order' (1326a).

For Aristotle, only the known needs of the existing population gave meaning to productive endeavour. He interpreted humanity, and even nature, as if they had always existed in their present form. This static conception was incompatible with any evolutionary approach, which prevented Aristotle from even considering the problem of the formation of existing institutions. It seems he never considered that many of the communities of his time—and certainly the majority of his fellow Athenians—would never even have come into existence had their ancestors confined themselves to meeting only their known and present needs. Nor did he suspect anything about the experimental processes of adaptation to unforeseen changes through the adoption of abstract norms which, if successful, allow for an increase in their number and the formation of stable patterns of behaviour. In this way, Aristotle introduced ethical principles incapable of recognising the usefulness of those frameworks which, passed down from generation to generation, are gradually perfected; principles which render analysis from an economic perspective futile, since, from the outset, they deny the existence of that set of problems that can only be addressed by accepting general norms.

Since, in his view, only behaviour aimed *at providing some benefit to others* is ethically acceptable, the Aristotelian perspective did not hesitate to reject any behaviour that benefited only the actor themselves. However, proclaiming that commercial matters should be regarded as contrary to ethics in no way prevented the very existence of the community in which Aristotle lived from depending, in the long term, on the proper functioning of a set of markets that continuously supplied it with everything it needed. For, long before Aristotle, profit-driven production—which he considered 'not in accordance with nature'—had already become the foundation of a vast order capable of extending beyond the scope of known needs.

As is well known, at the social level, profit acts as a guiding principle that ensures productive effort takes place in the ways that best serve everyone's interests; only by producing what is economically most profitable is it generally possible to feed the greatest number of people, since in such a scenario a smaller volume of resources is employed than that which is contributed to the community through production—a phenomenon already noted by some Greeks prior to Aristotle. In fact, in the 5th century, that is to say, in a period preceding Aristotle, the West's first historian began his account of the Peloponnesian Wars by reflecting on how primitive peoples, 'without trade, without freedom of communication by sea or land, deriving from the cultivation of their land only the minimum required for their survival, were incapable of transcending a nomadic existence'. Consequently, he continued, 'they were also incapable of building great cities or of leaving any other evidence of their greatness' (Thucydides, I,1,2). Aristotle, however, ignored such insights.

If the Athenians had followed Aristotle's advice —based on a complete ignorance of economics and evolution—his city would soon have become a mere village, for the Aristotelian conception entailed the adoption of an ethical framework compatible only with a stationary community. His doctrines, however, came to dominate all philosophical and religious thought of the following two millennia, even though, despite this, a model of society characterised by great capacity for expansion and dynamism eventually took root in the Western world.

The effects of Aristotle's systematisation of an ethics of the micro-order were reinforced by the influence that this philosopher exerted on Saint Thomas Aquinas in the 13th century, which led, later on, to this line of thought effectively becoming the official doctrine of the Church. The hostility towards the practice of trade, which has prevailed both in the Church of that time and in the Church of today, its condemnation of the charging of interest — which was once equated with usury —, its defence of a fair price and its dismissive treatment of profit are ideas steeped in Aristotelian thought.

However, throughout the eighteenth century, Aristotle's influence was already beginning to wane. David Hume observed that the market allows 'without the influence of any altruistic motivation, people to be induced to satisfy the desires of others' (D. Hume, 1739/1886: II, 289). He also noted that this occurred without the various actors even needing to know one another; that it was possible 'to promote the general interest without the actor himself intending to do so' (1739/1886: II, 296), and, in short, that all this occurred by virtue of the existence of an order 'which ensures the defence of the general interest even in the event that the actors are motivated by malevolence'. On the basis of these insightful observations, the idea emerged of organising society through self-organising structures, thereby laying the foundations for a more adequate understanding of those complex orders whose functioning had hitherto been attributed to the intervention of some superhuman version of what we call the mind. Gradually, it became apparent that the market order allows, within obvious limits, the use of personal knowledge to achieve one's own objectives, without anyone needing to be aware of most of the details of the order within which their own activity takes place.

Yet, despite all this, and as if turning its back on these great intellectual advances, an animistic, naïve and elementary view of reality (Piaget, 1929:359) —once again embellished with Aristotelian overtones— emerged amongst social science scholars and has served as the foundation of socialist ideology.