Markets and beliefs

The situation of the market economy currently offers an aspect of disturbing ambiguity. On the one hand, it is the system that has enabled many countries and people to grow and develop. On the other, it continues to cause persistent resistance in many other regions based on a fairly widespread mentality that questions it from both a social and moral point of view. The intention of this issue of *Cultura Económica*, with Carlos Newland as guest editor, is to offer the reader an exploration of some of the reasons and points of conflict that could begin to explain this ambiguity.

Markets are spaces for exchanging goods or services. In them, what someone produces or does not want is taken to be exchanged for another product. In exchange, if there is no coercion, all parties benefit by valuing more what they have received than what they have delivered. Since the exchanges are repeated over and over again, conversion rates or prices are generated. They are a crossroads of the considerations and calculations of producers - supply - and consumers - demand. In competitive situations, prices reflect production costs in their marginal values, or what is also known as opportunity cost.

But the market is also closely related to culture. A popular belief favourable to the appreciation of a market economy will tend to generate efficient institutions and a better allocation of resources. However, many times these beliefs are not present in populations or in many economists who see markets as highly malleable organizations through adequate regulatory engineering.

Carlos Newland's work emphasizes that the populations of nations that became more accustomed to functioning and operating in the market were culturally more likely to accept capitalism and establish the institutions that facilitate its development. In the author's opinion, where there was a large number of small independent farmers, a more competitive culture emerged, which appreciated individual initiative. This culture would have permeated the creation of institutions capable of sustaining and promoting a flourishing market economy, a situation that showed great persistence over time.

However, the market is also limited by the institutional framework. Its operation has historically been conditioned by multiple restrictions imposed by agents of all kinds, largely by governments. Feudalism implied a strong restriction on the movement of labour and sale of land. Price controls prevented increases that were considered excessive. The fixing of the interest rate sought to limit usury. Federico Sosa Valle's article, through the analysis of three relevant authors, seeks to better understand these institutional limitations that affect incentives and economic performance.

Pál Czeglédi's article studies more deeply the role of values and beliefs in the free market. For the Hungarian author, it is the consistency of beliefs, not so much the beliefs themselves, that may be embedded in culture. With beliefs more consistently distributed, a steady increase in economic freedom will create more ideological losers in the electorate. This proposal is supported by some statistical analyses with the areas of economic freedom as dependent variables and measures of inconsistency of market beliefs obtained by the *World Values Survey*.

Economists have also focused their efforts on understanding the functioning of markets, in a subdiscipline traditionally called price theory and then microeconomics. Since market exchange is an interaction that occurs in different places and under different conditions, prices will also be varied. The fruit will cost less in a fruit area and heating will have a higher price where energy is scarce. A strong motivation for producers is the detection of benefits in the generation of certain goods, a sign that society is valuing more abundance in that field. The benefits will be an engine and a signal that will reallocate the factors of production to certain destinations. Fernando Méndez Ibisate, in the paper presented here, marks what he considers two dangers in the way in which this microeconomic analysis has been developed. First, there has been a utilitarian interpretation of the neoclassical model. On the other hand, an emphasis on mathematical modeling has been developed that can lead, along with utilitarianism, to a mechanistic and interventionist conception of the economy.

A less treated aspect is the link between beliefs about the market and the vision about companies. Many times, the negative judgment on the latter is generalized in a negative judgment on the market economy. As Miguel Attaguile argues, the link between the two is one of the complex points of study of the capitalist economy. In fact, the advent of large corporate structures, with publicly traded shares in capital markets, was the main vector to cause a break in the theoretical conception of the firm.

Attaguile's essay focuses precisely on the analysis of the evolution of the theoretical framework of the firm, in relation to the theory of the agency and its tensions due to the separation of control by shareholders.

Political and economic liberalism was the reaction against feudalism, mercantilism and absolutism that put exaggerated limits on the market economy. The project of Adam Smith and other European economists was to recover the initial impulse of the first bourgeoisie towards an economy free from the arbitrariness of power. The truth is that the economic freedom that they promoted many times with success and good fruits in terms of wealth creation for large areas of the world, was accompanied by cultural and ethical beliefs that allowed their institutional development over time. However, that was not possible in other regions of the world where it existed and there is still a strong resistance to its implementation.

We hope that this number, inspired by these conceptual tensions, will make a contribution to this complex and multi-sided debate.

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