



## The Free Market's "Thank You" System

In an economic transaction, who should be the one saying thank you — the buyer or the seller? Or in an employment relationship, who should be thanking the other — the employer or the employee?



In real life, we see all four saying thank you. Sometimes the cashier in the grocery store will say, "Thank you" to the customer; sometimes it's the customer saying, "Thank you,"; and sometimes it's both. When a person is given a job by an employer, sometimes one or both will thank the other.

The reason for this phenomenon revolves around the principle of subjective value. In every economic trade, both sides are giving up something they value less for something they value more. We know that is true because otherwise neither party would enter into the trade.

Suppose I have ten apples and you have ten oranges. I offer you two of my apples if you'll give me five of your oranges. You decide to make the trade. Am I the "winner" and are you the "loser," given that I had to give up only two apples while you had to give up five oranges?

No! We are both winners because we each gave up something we valued less for something we valued more. You placed a higher value on two apples than you did on five oranges, which is why you made the trade. I placed a higher value on five oranges than on two apples, which is why I made the trade.

Both of us benefited from the trade. By making the trade, we both improved our economic conditions.

It's no different with respect to employment relationships. If I hire you at a wage of \$3 per hour, I place a higher value on your labor services than I do on the money I'm paying you. And by accepting the job, you are placing a higher value on the money I'm paying you than you do on your time and energy and the opportunities you passed up by taking the job.

There are some important economic principles here. People in society improve their standard of living through the simple act of exchange. The more people are free to trade with others, the greater their ability to improve their respective economic conditions.

There is an obvious corollary principle: To the extent that government interferes with peoples' freedom to trade with others, to that extent the government impedes people's ability to improve their lot in life. That's why it's in everyone's interests that all such interferences be removed and that government be prohibited from enacting them.

There is another factor to consider in a "thank you" economic system — the gratitude that people, in their roles as consumers, have that others are supplying their needs and wants — and the gratitude that



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people, in their role as sellers, have that others are patronizing their businesses.

Consider, for example, the grocery-store business. People, as consumers, don't need to bother with growing their own food. They can walk into an array of grocery stores, each competing for their business, whose shelves are filled with tens of thousands of food items, both packaged and fresh, along with countless other things, such as cleaning supplies, medicines, and perhaps even automotive products.

At the same time, other people, in their roles as suppliers, offer different food-related services to other consumers — such as restaurants, fast food, and home delivery of meals.

That's something for people, as consumers, to be grateful for. Countless businesses are serving consumers by producing goods and services that the consumers need and want.

By the same token, the operation of those businesses requires tens of thousands, hundreds of thousands, or millions of dollars in building, interest, rent, payroll, insurance, and other expenses. The continued existence and prosperity of the businesses depend on other people in their role as consumers. As everyone knows, consumers can be fickle and ruthless. Sometimes they switch their tastes or business preferences on a dime. Thus, businesses are grateful to their customers for helping them stay in business and prosper.

Everyone should be grateful for a free market. Everyone should begrudge governmental interference with a free market.

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