



Economic-Societal Order and Business Order: Efficient Configuration of the Business “Environment”

Santiago García Echevarría

One of the notable references of the academic events of all university students is manifested in the acts that reflect the persistent and incident activity both in the teaching and research contribution. A tribute work allows us to express, without ambiguity, that basic reference of the university professor, with the great reference that is friendship, the result of access to shared actions, both in knowledge and in teaching dimensions. In Professor Jesús Huerta de Soto, that has been precisely his great teaching work at the level of the development of the doctoral students’ training, together with the great contribution that he has made in directing of doctoral theses. This is not only because of what participation in knowledge implies, as in the case of Professor Huerta de Soto and the Austrian School, but, above all, because of the work of teaching development in many doctoral students, as well as the dimension and contribution to the economic training of many university students as a basis for their intense research work and contribution to economic thought around the Austrian School. We join this tribute with appreciation for his efforts and excellent cooperation.

S. García Echevarría (✉)
Universidad de Alcalá, Alcalá de Henares, Spain
e-mail: santiago.garcia@uah.es

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All economic action basically implies the capacity *to coordinate* different types of knowledge in order to configure the *processes* in which the action of the person takes place, which requires a key value that is *trust*. It is the person who develops their action as a priority to *coordinate* with others, with their knowledge, but, in particular, as people who generate the certainty needed to *cooperate*. And it is people who, thanks to trust, develop the institutions that allow people to be openly integrated into the configuration of society. This is precisely the societal dimension of the economy, precisely based on people and the ability to generate trust.

And all this in the sense of Walter Eucken, who says that “the person not only needs protection and security, they need more, the development of his capacities according to his strength should not be hindered” (Eucken, 2017, p. 41).

The foundations of all economic action of the person and of institutions imply, in their configuration, a “vision” of action, that function of discovery of all human action that forces to formulate goals, objectives, which are framed in a “system of values” that ultimately determines the space of action that allows the development of the person, as well as in the entire independent development process, promoting capacities that allow cooperation between people, configuring the institutions.

That is the reason behind the need for a “*global vision*,” which frames individual action, individual capacities, and situations to develop. Sharing “the global vision,” the integrating of people, is the necessary condition for the development of people and for the configuration of their institutions. This implies the broad interdisciplinarity of any economic action that necessarily matters and the broad economic-societal meaning that makes possible the coordination between people and their institutions in order to efficiently achieve, both economically and societally, the development of people.

THE INTERDEPENDENCE OF THE ECONOMIC AND THE SOCIETAL ORDERS

There are very different ways through which people can coordinate themselves, their knowledge and, in particular, their “systems of values.” The diversity of these forms of coordination decisively marks the way of understanding, on the one hand, the person in their own economic action and, on the other hand, the forms of coordination that are

established to impart the development that is produced, according to the circumstances, according to the power and individual interests. Already *Walter Eucken* pointed this out with the concept of economic order, that is, the way of ordering these indicated coordination relations such that “the economic order is—as we know—the set of forms in which the concrete direction of the dominant economic processes takes place” (Eucken, 2017, p. 184).

But the economic order is framed and is, at the same time, determining a large part of the “order of society,” since the forms of the economic order are close to the “order of society” (Eucken, 2017, p. 181), as “there are effects of mutual interdependence also between the economic Order and the Order of society” (Eucken, 2017, p. 183). It is, therefore, always an economic-societal dimension, which implies the development possibilities of the person and the configuration of their institutions.

According to the economic order that is developed in a country, “the global,” and the dominant characteristics corresponding to this configuration of knowledge, the possibilities of development are opened or closed, both for people and for the development of their capacities and competencies, for their well-being. The economic order is imposed or developed around the possibility of the economic action of the person, in particular, when, from the partial consideration of the economic-social sphere, singular decisions are undertaken without considering the impact on the economic-societal group. Government action in partial sectors of the economy generate wide distortions in other areas with a growing deterioration of the whole.

The conception of the economic order as a concept of *the economic*, of the coordinating global action, is defined by Eucken (2017, pp. 19–33) thusly: “the economic order of a specific country is the set of corresponding forms carried out in which companies and domestic economies are linked and in which, therefore, the specific economic process takes place” (Eucken, 2017, p. 23). It is about the coordination of supply and demand, in macroeconomic terms, of the two key areas of the management of economic action through the institutions that generate the way of ordering and organizing the economic processes, and the behaviors of the people who act in them, so that “within the framework of the specific contribution of the management, each one of the economic institutions must be understood” (Eucken, 2017, p. 24), which is also why “it is

shown that legal institutions—such as property, contractual freedom or responsibility, they change according to the form of the Order of their functions” (Eucken, 2017, p. 24).

Therefore, the conceptual development of the economic order is involved in the order of society and in the *systems of values* on which they rest, which implies a vision of the global, of the set with global objectives that must be carried out not only in the singular actions, in their singularity in the action, but from the economic-societal set respecting the order of interdependence between the different partial areas. That is, it is related to the great problems such as “*coordination costs*” between individual decisions and the global development of society, that is, the individual interest versus the interest of the whole, the common good.

Consequently, all economic action always implies a *social* impact, because “the problem of management policy does not result only from the economy, but also from changes in political and social situations” (Eucken, 2017, p. 30), since “there is no economic policy measure that does not have, simultaneously, directly or indirectly, effects and has a social meaning” (Eucken, 2017, p. 369) because “there is nothing that is not socially relevant” (Eucken, 2017, p. 369).

THE SOCIAL DIMENSION, IN THE ECONOMIC ORDER AND IN THE ECONOMIC PROCESSES

The social dimension can be pointed out, the societal one is an indissoluble part of all economic activity, so social policy is part of economic policy and must be integrated with it in the economic-social order when configuring the action of the people and, all this, within the framework of the “*system of values*,” since “the Order, as a whole, should be in such a way that it enables people to live in accordance with ethical principles” (Eucken, 2017, p. 242). To which it must also be considered that in the evolution of the last decades, social decisions have dominated without their adequate integration into the economic-social order, causing serious coordination problems through their corresponding impact on behaviors, both institutional and individual. The separation of the social from the economic, or vice versa, seriously deteriorates *coordination*, creating grave mistrust for the economic-societal functioning, and it must be considered that “it is not possible to demand of people what only an economic Order can

achieve: establishing an economic relationship between individual interest and general interest” (Eucken, 2017, p. 427).

The construction of coordination processes constitutes for Walter Eucken: the “...Order of a free society considers it consequently as a problem of legal Order...” that guarantees the functioning of a market economy “ensuring competition as a means of controlling economic power” (Streit & Wohlgemuth, 2000, p. 464). And it is precisely in the configuration of economic power that the achievement of a satisfactory and efficient order of competition is centered in order to have efficient open markets in a way that makes it possible to combine individual interests with the interests of the whole (García Echevarría, 2017, pp. LI). What defines Eucken precisely is the sense that “no one can have more or less economic power than is necessary to carry out an order of competition” (García Echevarría, 2017, pp. LI). Open competition, in the context of efficient markets, is the key to the socio-economic order within the framework of the *Ethical principles* necessary for the development of the person, of their capacities, and as can be seen in Röpke: “economic productivity, contrary to technical productivity, can only be measured in the production of those things that correspond to the scales of value and needs of society as a whole” (García Echevarría, 2017, pp. LI).

CONCEPTUALIZATION OF COORDINATION PROCESSES

From the perspective of the configuration of the economic-societal order, integrating economic and social policies with a government’s actions, with its legal-institutional emphasis, rests, as a whole, on a series of “*principles*” that affect all economic-social and societal-political actions. This is decisive for the set of globally coordinating actions and also for singular, individual actions or “*principles*” under which all actions taken must be evaluated in the configuration and development of broader economic processes. These include both constituent and regulatory principles.

- A) *Constituent Principles*, based on the economic-social and societal-political actions that affect the whole, and individual interests which articulate the order of competence, including:

- A *price system* capable of operating efficiently in terms of perfect competition (García Echevarría, 2017, pp. LI), which requires
 - Monetary policy stabilization
 - Open markets
 - Private property
 - Contractual freedom
 - Individual responsibility
 - Constancy in economic policy
- Considering perfect competition, a key to *Eucken's* thinking, the main function of the State, focuses on the fact that "...competition deserves protection through law with its controlling effect on private power..." (Streit & Wohlgemuth, 2000, p. 466).
- B) *Regulatory Principles* that affect, with a more instrumental nature, in the shaping action of the operational activity that affects the economic and social processes, whose fundamental mission is "to maintain the order of competence with the capacity to function" (García Echevarría, 2017, pp. LVI).

This is the key to the economic-social order that constitutes the "*economic constitution*," as it is based on the "*Constituent Principles*" guaranteeing the long term generation of trust, in a framework of certainty, since the "*Regulatory Principles*," that regulate specific situations, can cause problems, as well as adapt to certain transformation and adaptation processes that could influence the development of the person (Eucken, 2017, p. 291).

THE SOCIETAL ECONOMIC ORDER AND BUSINESS DYNAMICS

As has already been pointed out previously, the economic order involves both the processes of human action in the context of business activity, on the one hand, as well as human action in the context of domestic economies. In the business field, all economic-societal order, as well as the legal institutions that configure it, establish the framework in which all business processes are configured, from the definition of their global action possibilities to the individual action of each company and its multiple processes

(García Echevarría, 2021). This affects both the coordination processes between companies and the complex internal coordination processes of each one of them, of their organizational and directive forms oriented to the configuration of the markets, that is, to the generators of competitive capacity in order to contribute to their own business development, and their institutional-corporate interest (García Echevarría, 2020, p. 141) and their interest in contributing to society as a whole and to the development of the person.

The “Constituent Principles,” both in their economic-social and institutional-legal dimensions, configure, in accordance with the *systems of values*, the coordination processes between the different public and private institutions that must create the context in which they can and have to configure both the action of the companies and the people who form them. This requires establishing the values and criteria in which the person, in their different actions in the company, generates the necessary confidence to provide “certainty” of a “constitutional” nature, for the creation and development of companies.

One of its fundamental characteristics for the development of business dynamics is to decisively address the “*long-term*” in business performance, the constancy of the context in which the company, each company, in its complexity, contrives in the face of “true” institutional expectations as a whole, which guarantees a stable, long-term environment. Key to the existence of a *business dynamic* that makes possible the development of both an established business culture is competition and the emergence of the business function of the key corporate culture in all market operations.

The totally dominant *vision* at present of a broad short-termism in the action of the company leads to upset the very figure of the company as a societal institution, beyond a strict economic approach, rather financial, thereby reducing dynamics business (García Echevarría, 2017, p. 117) to “business,” in a vulgar sense. And, in particular, it goes beyond the mere interpretation that is frequently made of the business “environment” that is limited to the most immediate of the short-term adaptation processes, with which there is no place for the corporate institutional dimension that constitutes the “long term” of that long-standing coordination provided by the socio-economic order of a process involving, in the long term, the orientation of capacities and responsibilities.

The business “environment” goes beyond mere marquetry and is located in the long term in its corporate dimension, which contributes to a more efficient coordination, as an inter-institutional institution that facilitates the transformation and adaptation processes of people and their organizations.

One issue must be clear for the maintenance and operation of a market economy that must be considered especially dangerous for the planning of companies, inherent in their management, to shift to supra-corporate instances (Eucken, 2017, p. 376). For it is key, on the one hand, because the company sets objectives and generates the processes of social action through the planning process (García Echevarría, 2021, p. 285) for which it necessarily requires a “constitutional” framework, in the Euckenian sense, stable in the long term in search of the development of competition under the constancy of economic policy that allows business planning.

But, on the other hand, the planning action of the company could be shifted to the economic order, where entities outside the company of the legal, social, and economic order impose objectives and means to decide business activity. That is, a centralized economy, a directed economy, since there are different ways of understanding planning action, cancelling “business dynamics” and establishing an economic management that implies high “coordination costs” and eliminates development capacity, in the assumption of responsibilities and contribution to the development of people (Eucken, 2017, p. 19) and their capacities for action.

Reductionism, standardization, has supposed equalization of people and processes, which implies impoverishment in human action, in vision and in diversity, both in objectives and in the ways of configuring the processes, reducing the entire process, both in the economic-societal efficiency of business dynamics but also as a denial of diversity, as the vital fact of the development of the person and of the institutions.

The dominant short-termism and the consequent loss of institutional-corporate trust imply increasing “coordination costs,” including the loss of responsibility capacities, the contribution of diversity to the development of companies, and the lack of creative processes in the capacity of human action in the company. It is necessary for the development of business dynamics, their contribution to the responsible development of the person and their organizations of an economic-societal order that makes the permanent action of the company sustainable and resilient beyond what it already implies to generate products and services to provide an

efficient response to the needs of people and companies so as to take on the necessary transformation and permanent change processes. This is the societal dimension of the company.

It means governing a country around an economic-societal order based on the “Constituent Principles” that, in accordance with the *values* involved in society, always imply freedom for the development of the diversity of people and that of their institutions to help generate an “order of competence” that involves an efficient response to the needs of people, both in their economic, social, and societal dimension. An economic-social order defined by a set of “principles” is necessary, based on the value system that facilitates, on the one hand, a clear vision of the fundamental characteristics that should be the basis of legal and socio-economic institutions. But, on the other hand, it should also facilitate the interpretation of the coordination between all the institutions that make up the constitutional “environment,” which affects all business dynamics, the action of the businessman, and the people involved in the company with their responsibilities and contributions in the ethical framework of human action.

And given the uncertainty in which all economic-social and ethical action always takes place, it must also be disposed, likewise, of the “regulatory principles” indicated (Eucken, 2017, p. 345) that must resolve the circumstances caused in the short term, always on the basis of the orientation to the “Constituent Principles” as its permanent reference. In this way, a situation of constancy of the “business environment” is established that does not mean immobility, but, precisely, the opposite, transformation and change, innovation and risk, individual and institutional responsibility that makes possible the business dynamics linked together to an order of competence that allows an efficient economic and social response to people’s development.

PROPOSALS FOR A SOCIETY ECONOMICALLY AND SOCIETALLY EFFICIENT: BUSINESS DYNAMICS

As has been seen, the company, the business economy, constitutes together with the domestic economy the keys to the economic-social ordering of a country with all that this implies both in the economic context and in its effects on the social dimension. Both parties are constituents of the economic-social reality in which the wide and complex business diversity and the complexity of its institutions are involved, as well as the role of the

state in the determination and maintenance of the economic-social order within which companies must arise, develop, and contribute, in their multiplicity and diversity of business forms, as well as their permanent dynamics of technical, economic, and social transformation. This occurs within the framework of the human complexity of their organizations and the forms of configuration both in the individual dimension and in their societal behavior.

That is why the “Constituent Principles” (Eucken, 2017, p. 305) mentioned not only guide legal, technical, economic, and social diversity, but also frame the reference to the action of the businessman and the company who can then contribute with their efforts to generate adequate competition that implies responsibility and efficiency to contribute to the development of technical, economic, and social efficiency of people.

Facing the economic-social order in search of the long term in determining the constancy of the economic policy and avoiding immobility, that is, an economic-social order is key to business dynamics, which is found in the wide diversity of business action, in the great differentiation of all its dimensions from business reality, which, on the one hand, as the singular, specific institution of concrete situations and, on the other hand, the joint field of action of the companies in their technical, economic, social, and corporate context in reference to their contribution to society, to the development of people. That is, what we could point to as “*business order*” that goes beyond representation in existing issues, in different institutions and associations that seek to unite and defend specific interests.

The “order of companies” goes beyond the singular legal dimensions. It is a set of “Constituent Principles” of the company. A “business order” that, in its societal dimension, facilitates the processes of “company coordination” with the society and the coordination between the different companies, facilitating the coordination processes, without prejudice to individual freedoms and responsibilities. This would facilitate greater cooperation, in many areas, always oriented to the “constituent principles” of the business environment. This includes the intensification of competition in order to facilitate and contribute to solving the systems of each company and the circumstance of the business as a whole, the common good valued in its contribution to the development of society and the person.

Although in the course of the last decades, attempts have been made to promote different ways of understanding the company–society relationship, it is necessary to establish, in the *Euckenian* style, a “business order,” which goes beyond the political-social, technical, economic and legal aspects, among others, and define those principles that constitute the action of companies in the society. This is in order to reduce the *coordination costs* of the company with and in society, as well as the costs of coordination within and in each of the business organizations.

It is about the relationship between the person, in their actions in the company and their appreciation of the societal value of their contribution not only to the company as an organization, but as a company involved in the development of society. To appreciate the value that can drive the person to be included in business organizations, but, at the same time, to society, the assumption of what their contribution, effort and action means, implying their own personal development as the contribution of the company in what constitutes its social contribution.

It is about promoting the corporate role of the company, on the one hand, and the role, weight, and impulse that affects the valuation by each person in the contribution in which they are involved both in their own development and effort and in the incentive which means the value of their contribution.

It is the person who innovates, who transforms, who assumes responsibility, who contributes with others in processes that, without a doubt, are complex, that go beyond the business dimension itself, and that are key in the assessment and incidence of all socio-economic action in the company or institution in which it operates.

A “company order” that implies “Constituent Principles” that must be constitutive of the action of directing, organizing, configuring the economic-business processes, of a vision that goes beyond the traditional business borders, to influence the economic-social reality of the society in which people develop. The research program (García Echevarría, 2022) that is being carried out is dealing with these aspects, seeking that response centered on the person in the organizations and in the set of coordination processes in which they can contribute to give an efficient response, both economic and social and societally for the development of people and their inclusion, as well as the competence to ensure the common good shared with the individual good.

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