

Economic miracle: The bottom line

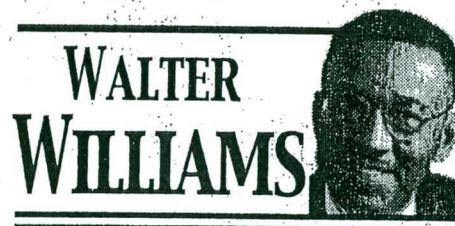
The idea that even the brightest person or group of bright people, much less the U.S. Congress, can wisely manage an economy has to be the height of arrogance and conceit. Why? It is impossible for anyone to possess the knowledge that would be necessary for such an undertaking. At the risk of boring you, let's go through a small example that proves such knowledge is impossible.

IMAGINE you are trying to understand a system consisting of six elements. That means there would be 30, or $n(n-1)$, possible relationships between these elements. Now suppose each element can be characterized by being either on or off. That means the number of possible relationships among those elements grows to the number 2 raised to the 30th power; that's well over a billion possible relationships among those six elements.

Our economic system consists of billions of different elements that include members of our population, businesses, schools, parcels of land and homes. A list of possible relationships defies imagination and even more so if we include international relationships. Miraculously, there is a tendency for all of these relationships to operate smoothly without congressional meddling. Let's think about it.

The average well-stocked supermarket carries over 60,000 different items. Because those items are so routinely available to us, the fact that it is a near miracle goes unnoticed and unappreciated. Take just one of those items — canned tuna.

Pretend that Congress appoints you tuna czar; that's not totally out of the picture in light of the fact that Congress has recently proposed a car czar for our auto industry. My question to you as tuna czar is: Can you identify and tell us how to organize all of the inputs necessary to get tuna out of the sea and into a supermarket? The most obvious inputs are fishermen, ships, nets, canning factories and trucks. But how do



you organize the inputs necessary to build a ship, to provide the fuel, and what about the compass? The trucks need tires, seats and windshields. It is not a stretch of the imagination to suggest that millions of inputs and people cooperate with one another to get canned tuna to your supermarket.

BUT WHAT is the driving force that explains how millions of people manage to cooperate to get 60,000 different items to your supermarket? Most of them don't give a hoot about you and me, some of them might hate Americans, but they serve us well and they do so voluntarily. The bottom line motivation for the cooperation is people are in it for themselves; they want more profits, wages, interest and

rent, or to use today's silly talk — people are greedy.

Adam Smith, the father of economics, captured the essence of this wonderful human cooperation when he said, "He (the businessman) generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. ... He intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain." Adam Smith continues, "He is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. ... By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." And later he adds, "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest."

IF YOU have doubts about Adam Smith's prediction, ask yourself which areas of our lives are we the most satisfied and those with most complaints. Would they be profit motivated arenas such as supermarkets, video or clothing stores, or be nonprofit motivated government-operated arenas such as public schools, postal delivery or motor vehicle registration? By the way, how many of you would be in favor of Congress running our supermarkets?

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