

# The Importance of Luck

BY AARON STEELMAN

If you spend much time talking to proponents of free markets, you will find that many of them don't have much to say about the role that luck plays in people's lives. Instead, you will often hear a lot about how people determine their own fates — and that as long as there is a level playing field, then everyone has a good shot at making his dreams a reality.

There is a lot of truth in such statements. Most people do fundamentally determine their own happiness — which, in large measure, is determined by one's general outlook on life. People can choose to be happy, or at least happier, just as they can choose to be miserable and unpleasant. This is not to deny that some people are prone to bouts of depression or sadness. But, fortunately, with effort people often can handle such predispositions, so that their feelings of melancholia are transitory and manageable rather than permanent and crushing. At bottom, happiness is an act of volition for most people.

Does the same logic apply to people's material status? This is a more complicated question. Hard work is usually a necessary condition. But it often is not sufficient. Luck plays an enormous role. In fact, the most important factor affecting people's material status is completely beyond their control: We simply cannot affect the conditions into which we are born.

It is by pure chance that some of us were born in developed countries, while others were born in desperately poor ones. On average, people born in the United States can expect to live about 80 years and have access to luxuries unknown to even aristocrats just a few generations ago. In contrast, on average, people in parts of sub-Saharan Africa can expect to live only into their 40s and get by on less than a dollar a day.

International comparisons provide the starkest example of the role that chance plays in our lives. But intranational comparisons are instructive as well. Income inequality in the United States is significant. What's more, people who are born poor tend to remain poor and people who are born rich tend to remain rich. It is possible to escape poverty in the United States — and as previously noted, being poor in the United States means living a wholly different life than a poor person in, say, Tanzania. But who can doubt the educational and cultural advantages, just to name a few, that accrue to people born to more affluent families? By definition, the

playing field is not level at birth — and this has important consequences for people's prospects throughout their lives.

Does that mean we should attempt to level conditions through, say, a confiscatory inheritance tax? One has to consider the incentives such a tax would create. Some people, no doubt, would not work as hard as they otherwise would because they would be unable to leave the fruits of their labor to their heirs. In contrast, some people who are now likely to receive significant inheritances might work harder knowing that this cushion would not be forthcoming. Which effect is larger is ultimately an empirical question.

But more important, such a tax would codify into law the belief that things *ought* to be equal, that we should all start from the same position. This is simply unrealistic. It is also undesirable. Human beings are intrinsically different. Even if you equalize wealth, you cannot equalize talent or ambition. And, for that, we should be grateful. The world is much richer (financially and nonfinancially) because people have varied interests and goals. It is this diversity that makes the division of labor such a powerful force for improving the human condition — and the world such an interesting place.

It is also important to note that there are two kinds of luck. The first is what we normally think of and what is described above — that is, simple chance. The second is quite different. It is best illustrated by an example. When someone receives a promotion at work, we often say that he is lucky. It is true that a fortunate thing has happened to him. But that promotion probably did not just fall into his lap. He probably placed himself in that position by working hard and making wise decisions. In short, we make this second type of luck. Life is a combination of circumstances that we are dealt and those that we choose.

At the beginning of this column, I noted that many free marketeers downplay the role that chance plays in people's lives. They may believe that acknowledging this weakens the argument for *laissez faire* and provides ammunition to those who favor redistributionist schemes. As I have argued, I don't think this is the case. Regardless, the evidence for the importance of luck is all around us. And to deny it is to appear to be oblivious to the facts, perhaps willingly so. *That* is a very real risk, especially at a time when many in the public are expressing skepticism about the merits of a market system and the wisdom of those who support it. **RF**

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