

Survival of the Fittest

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When I advocate economic freedom, I am sometimes accused of believing in the survival of the fittest. But the implied disapproval in that accusation ignores a key question: what does "fittest" mean? Someone who's fit for dealing with one set of social rules might be incompetent when dealing with other rules. Fitness depends on context.

Fit to kill

Take the Soviet Union. Was Joseph Stalin particularly fit? He certainly didn't produce much that other people valued, yet he thrived. He did so by lying, manipulating, intimidating, and murdering, all on a massive scale. In the Soviet Union, the fittest got the best food, houses, cars, etc., but fitness meant the ability and willingness to be completely untrustworthy and bloodthirsty. In that environment, Stalin was indeed one of the fittest.

Or take a street gang. The fittest street gangs are those whose members know how to fight the best and who are the least scrupulous about using physical violence. In this way, a neighborhood policed by street gangs is similar to the Soviet Union: the most ruthless succeed in each.

That shouldn't be surprising. In both environments, the most important rule is, Kill or be killed. There is no protection of the rights of someone who simply wants to go about his or her business peacefully. Peaceful, productive people are, in fact, sitting ducks waiting to be picked off by the violent.

The environment selects for success those who are best at working within its rules. This simple insight can explain a lot of behavior that we see around us, behavior that is otherwise puzzling. You tell me the environment and the rules, and I'll tell you the kind of people who will emerge as the fittest.

Consider academia. You might think that the people who would do well in academia are those who teach the best and contribute the most to knowledge by writing clearly about important issues. In reality, the best teachers are less likely

to get tenure. Those who do get tenure tend to be the people who publish, and more than 90 percent of their publications are badly written articles in obscure journals about issues of limited interest. Yet these people are the fittest because the main rule in academia is, Publish in academic journals. The easiest way to do that is to specialize in a couple of very narrow issues, so that you can be one of 5 to 20 people in the world who is considered an "expert" on those subjects. The average number of readers of an article in a journal is 4. Not 400, not 40, but 4. And they are typically other experts who write articles on the same topic. Of course, some do write on important, interesting issues--the economists Robert Lucas and Merton Miller at the University of Chicago and Robert Barro and Martin Feldstein at Harvard immediately come to mind--but my point is that you don't have to do this to make it in academia.

So, what are the rules of a free market? One rule is that private property rights are respected for all--not just for the wealthy executive but also for the person selling hot dogs on the street corner. Another rule is that contracts are respected and enforced. A third rule, part of property rights, is that people are free to exchange goods or services with each other. Under those rules, as Adam Smith stated more than 200 years ago, the people who fare the best are those who figure out what they can do well that other people are willing to pay for. The key to getting wealthy in a free market is to find a new product that people want, a fresh use for an old product, a use for idle resources, or a cheaper way of making or delivering an existing product. The person who creates a software program that does something many people want accomplished, and who then figures out how to market it, will make a lot of money. The person who finds some new use for an unused resource--garbage, wood chips, the blank space on the white uniforms of top-seeded tennis players--will also make a lot of money.

Standard fare

People also do well in a free market by being trustworthy. When I buy a hamburger at McDonald's, whether in San Jose, Moscow, or Paris, I am sure of getting a certain minimum quality. That's why people often eat at branded restaurants when traveling in strange places: they want quality assurance. McDonald's, Coca-Cola, and many other well-known brands are worth a lot because their owners have invested in establishing a reputation.

And here's the bonus. Although those who do best in a free market are those who are the most productive, even the least productive thrive. One reason is competition. Because of the pressure to innovate more quickly and usefully than their competitors and to price their products more attractively, executives like Marc Andreessen, Bill Gates, Steve Jobs, Andy Grove, and Larry Ellison have all created more benefits for us than they will ever create for themselves.

The other reason everyone thrives is capital accumulation. Because people can earn dividends and interest by accumulating capital in a free market, many do so, and the high amount of capital per worker makes workers more productive, thus increasing their wages. Every worker in a free market economy, even someone with no capital, gains enormously because of the past capital accumulation of others. Just compare the standard of living of the typical poor person in the United States today with that of a counterpart in India, China, or most of Africa, countries without a long tradition of free markets.

The correct statement, therefore, is not that only the fittest survive in a free market. Rather, in a free market, the fittest, who are the most productive, do the best. And free markets allow more and more people to survive who wouldn't even stand a chance in an unfree economy.