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 rich tend to remain rich.

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There is a lot of truth in such statements. Most people do 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.