



Drops and Splashes

BY DONALD J. BOUDREAUX

My wife, Karol, and I recently painted some rooms of our home. When I bought the paint at Home Depot, the helpful saleswoman showed me a new product: a plastic lid that slips on a gallon-sized paint can more easily than, but just as snugly as, the original metal lid. And it's much easier to remove. The plastic lid also has a spout for neater pouring.

It's priced at \$1.99.

This plastic paint-can lid is an unassuming example of how markets promote human progress. It is a process of countless, usually small, daily improvements in the quality and range of goods and services made available to consumers.

Think of human material prosperity as water contained in an enormous swimming pool. The higher the water level, the greater is our prosperity. Call it the "prosperity level" in the prosperity pool.

How is this pool filled? Mostly, tiny drop by tiny drop. Millions of people line the edge of the pool, each dripping in a drop or two of additional prosperity from time to time.

Importantly, no *single* drop has any noticeable effect on the prosperity level. Had plastic paint-can lids never been invented and produced, no one would have noticed. And any measurement of our material quality of life, such as real per-capita income, is unable to detect any effect of the introduction of this product. Ditto for almost everything else that becomes available on the market: new shades of paint color for homes; improved quality of stereo speakers; a better food technique; longer-lasting light bulbs; a new fusion cuisine; a more-efficient machine for weaving fabric; improved corkage for wine; Listerine PocketPak breath strips. The list is practically endless.

A very few drops *are* large, more like bucketfuls. For example, the polio vaccine and Henry Ford's innovative use of the assembly line to produce automobiles. But such examples are rare, and even these are preceded by countless unheralded achievements that happen to come together simultaneously and cascade into a sudden and large infusion of prosperity into the pool. The most significant fact is that almost all drops are tiny; almost no drop, alone, adds noticeably or measurably to the level of the prosperity pool.

Americans have become so accustomed to the daily momentum of prosperity's rise that they are now inured to it. It's as though they float in this pool on a rubber raft. Unless the rate of increase in the level of the pool significantly accelerates, they don't perceive the steady and daily increases in their level of prosperity, each daily addition to the pool being small, but over time the result being enormous.

Failing to perceive the steady rise of prosperity, many people wrongly suppose that it isn't rising. Such unperceptive people often insist that government take action to raise the prosperity level—and, for such people, raising this level means raising it *noticeably*. Their assumption is that government, being so big, so forceful, and so able to break free of the rules that bind private-sector agents and institutions, can perform such a quick Herculean feat. This demand for such government is reinforced by a supply of people promising to grant it.

How many times have we heard people proclaim that they "want to change the world": commencement

How many times
have we heard
people proclaim
that they "want to
change the world"?

Donald Boudreaux (dboudrea@gmu.edu) is chairman of the economics department at George Mason University and a former president of FEE.

speakers, preachers at the pulpit, politicians on the stump. This desire is universally regarded as admirable. And it would in fact *be* admirable if by “changing the world” people understood that our world is best changed incrementally, with each of us contributing our own relatively small amounts to the prosperity pool and not cocksurely supposing that we are so individually smart and informed and wise that any one of us individually can raise the level of the prosperity pool noticeably.

Making a Big Splash

Because each of us individually (and this includes even large corporations) is quite small compared to the whole, no one can ever hope to raise the prosperity level noticeably. This is a good thing, for it means that no one has the power to inflict grievous systemic harm on society at large. But too many of us lament this fact. We mistakenly believe that our private productive actions—our own little drops—don’t “make a difference.” They arrogantly want to make a big splash in the prosperity pool. And too often, those with a passion to “change the world” plead for action by government, the one institution that *can* make a big splash.

So government tries to make unusually large infu-

sions into the prosperity pool. Unfortunately, because government officials are directed neither by market signals nor market incentives, the infusions are more like boulders tossed awkwardly, if ceremoniously, into the pool. Some boulders do indeed make big splashes—for example, the Smoot-Hawley tariff and virtually all the New Deal programs, which significantly deepened and prolonged the Great Depression. Other boulders are a bit smaller—such as minimum-wage legislation and occupational-licensing requirements—and make correspondingly smaller splashes.

The irony is that the bigger and more noticeable the splash, the more likely it is to be lionized by academics, pundits, and politicians. They focus on the input (the boulder) and on the high-flown rhetoric of those who chuck it into the pool and never bother to look at the actual results. But because splashes are wild, much of any splash—especially big splashes—ends up outside the pool and is lost. The actual result is less prosperity than would have existed without the splashing boulder.

So beware of people who demand that government make big splashes. Remind them that, while private markets aren’t splashy, drop by drop and day by day they improve the world significantly. 