



The Day the Glue Came Undone

BY SHELDON RICHMAN

Scenes of the devastation and suffering inflicted by Hurricane Katrina will long remain in our memories. Equally horrifying were the pictures of New Orleans residents—and policemen—helping themselves to goods from stores. They weren't just taking food, water, and diapers; some were taking television sets, jewelry, and other luxury items.

These scenes had a clear message for anyone who understands the role the free market plays in making human life possible: anything that significantly disrupts economic activity disrupts civilization itself. This reveals the intimate relationship between the market and society.

For those lacking a moral compass, the “price” of civility is dramatically reduced when they *can take it for granted* that the stores will be filled with affordable necessities and not-so-necessary items every day without fail. In other words, when the division of labor makes the threat of famine a relic of the distant past, society achieves a notable level of decency.

Capitalism—the free market, individual liberty, private property—has never gotten the full credit it deserves for that achievement. It is the glue of civil society. We saw the hurricane and flood wash that glue away, and the results were not pretty.

In normal times the police help to keep order, but not nearly to the extent that people think. There are too few of them. Internal restraints fortified by the surrounding informal social environment are essential to keeping the peace. As Thomas Paine wrote in *The Rights of Man*: “Great part of that order which reigns among mankind is not the effect of government. It has its ori-

gin in the principles of society and the natural constitution of man. . . . In fine, society performs for itself almost everything which is ascribed to government.”

Admittedly this is counterintuitive. Someone observing the human race at its earliest stage might have been filled with pessimism. All human beings had the same basic material needs, but resources were extremely scarce. How could anything but a Hobbesian war have been the outcome?

We know that such pessimism would have been misplaced. The human race did not perish. Societies evolved and grew wealthier; populations expanded. Today six billion people have longer lives and higher standards of living than a much smaller population had only a couple of centuries ago. How is that possible?

One might first think that the answer lies in resources. But this won't do, because any materials we enjoy today have existed from time immemorial. Oil, iron, copper, and the rest were beneath the ground trod by the primitive men and women of every continent. But those were merely raw materials, and raw materials are not

resources. They are only *potential* resources, and as Julian Simon long emphasized, it takes the intelligence of free individuals—“the ultimate resource”—to turn that potential into the actual. This is done by discovering how a given material can serve a human need.

As important as the human transformation of matter into resources is, the civilizing of mankind has a deeper explanation, which is found in the work of Ludwig von Mises. Mises understood that if human beings did not

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stand to benefit materially from association with each other, they would live in either conflict or isolation, viewing any stranger as a threat to his life and super-scarce resources. “[N]ature does not generate peace and good will,” he wrote. “What makes friendly relations between human beings possible is the higher productivity of the division of labor. It removes the natural conflict of interests. For where there is division of labor, there is no longer question of the distribution of a supply not capable of enlargement. Thanks to the higher productivity of labor performed under the division of tasks, the supply of goods multiplies. A preeminent common interest, the preservation and further intensification of social cooperation, becomes paramount and obliterates all essential collisions.”

The law of comparative advantage, or what Mises called more generally “the law of association,” explains why people came to see one another not as adversaries but rather as allies in the struggle against miserly nature. Mises goes so far as to say, “In a hypothetical world in which the division of labor would not increase productivity, there would not be any society.”

The division of labor enables individuals together to produce more total goods even when some people are less productive at everything than others are. (For an elaboration of this point, see Manuel Ayau’s article “The Most Elusive Proposition,” *The Freeman*, October 2004.) Everyone can prosper, albeit at different rates. If you need proof, compare what the official “poor” in the United States own today against what they owned 30 years ago. If you haven’t thought about this before, you will be astounded.

The division of labor and the falling costs of mass production replace, in Mises’s terms, biological competition with catallactic (economic) competition. Instead of competing to consume, we compete to *serve consumers*. Mises sums up: “Because many people or even all people want bread, clothes, shoes, and cars, large-scale production of these goods becomes feasible and reduces the costs of production to such an extent that they are accessible at low prices. The fact that my fellow man wants to acquire shoes as I do, does not make it harder for me to get shoes, but easier.”

Another writer with a prodigious understanding of the nature of the marketplace was Frédéric Bastiat. In his

1850 treatise, *Economic Harmonies*, he describes a “man belonging to a modest class in society” and notes the many goods and services he uses in a typical day. Bastiat then observes, “It is impossible not to be struck by the disproportion, truly incommensurable, that exists between the satisfactions this man derives from society and the satisfactions that he could provide for himself if he were reduced to his own resources. I make bold to say that in one day he consumes more things than he could produce himself in ten centuries.

“What makes the phenomenon stranger still is that the same thing holds true for all other men. Every one of the members of society has consumed a million times more than he could have produced; yet no one has robbed anyone else.”

Growing Accustomed to Abundance

The inevitable, and ominous, outcome of these happy circumstances is that people quickly grow accustomed to them. They think of regular, dependable abundance as a natural, unchangeable condition and lose sight of what makes it happen.

Then one day a major hurricane or earthquake disrupts the normal course of events: the lights go out; the stores don’t open; and the roads can’t accommodate the delivery of food and water. Anomie may follow as some people panic, or cynically take advantage of the situation, and act as though they are in Hobbes’s state of nature.

Why some people abandon their humanity at times like these and others don’t is hard to know and beyond the scope of this article. What’s relevant here is that the liberal market order produces more than mere material wealth. The division of labor, that core social cooperation which produces the familiar cornucopia, is the glue that holds civil society together. In recent months we have seen what happens when that glue comes undone. Katrina should prompt us to examine all the ways that government impedes production by interfering with private property, from taxation and spending to regulation and monetary manipulation. Hurricanes and other cataclysms can never be abolished, but as Aaron Wildavsky taught, the wealthier we are, the more resilient we are likely to be. And resilience is the key not only to coping with catastrophe, but also to preserving society.

