The Miracle of the Market

At this time of year especially, the wide variety of individual human preferences and interests becomes abundantly clear. My children's Christmas lists display this diversity: Molly (13) wants a doughnut pan to feed her baking passion, Jack (11) wants anything tech-related, Abby (9) wants drawing supplies, and Sam (6) wants Lego pieces and stuffed animals. How do the elves satisfy these assorted preferences? It's the miracle of the market.

FEE's founder, Leonard Read, wrote about this miracle in his classic 1958 essay, "I, Pencil." Writing cleverly from the pencil's perspective, Read explains that even something as seemingly simple as a pencil is an extraordinary human creation involving countless decentralized, spontaneous actions prompted and facilitated by a free, global marketplace. The 18th-century philosopher, Adam Smith, described this unplanned process of social cooperation as the "Invisible Hand," leading to collective human progress and abundance when each individual pursues his or her own interests. Read writes:

> I, Pencil, simple though I appear to be, merit your wonder and awe, a claim I shall attempt to prove. In fact, if you can understand me—no, that's too much to ask of anyone—if you can become aware of the miraculousness which I symbolize, you can help save the freedom mankind is so unhappily losing. I have a profound lesson to teach. And I can teach this lesson better than can an automobile or an airplane or a mechanical dishwasher because—well, because I am seemingly so simple.
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> Simple? Yet, not a single person on the face of this earth knows how to make me.

There is no central planner, no mastermind, as Read says, capable of making a simple pencil. Instead, there are the loggers who harvest the cedar from the Pacific Northwest and the innumerable actions that go into the loggers' work, including the manufacture of their saws and machinery, the growing of hemp for their ropes, and even the cups of coffee they drink. All of these spontaneous actions contribute to the production of a simple pencil—and that's only for its wood. Read then describes the graphite from Sri Lanka, the wax from Mexico, the miners of zinc and copper to create the small metal piece that attaches the eraser, which is made with rapeseed oil from the Dutch East Indies.

Read concludes:

> *There isn't a single person in all these millions, including the president of the pencil company, who contributes more than a tiny, infinitesimal bit of know-how. From the standpoint of know-how the only difference between the miner of graphite in Ceylon and the logger in Oregon is in the type of know-how...Their motivation is other than me. Perhaps it is something like this: Each of these millions sees that he can thus exchange his tiny know-how for the goods and services he needs or wants. I may or may not be among these items.*

More profound than the dispersed and unplanned creation of the simple pencil is, as Read explains, the fact that it is accomplished without coercion through the uniquely human act of peaceful, voluntary exchange. Read writes:

> *For, if one is aware that these know-hows will naturally, yes, automatically, arrange themselves into creative and productive patterns in response to human necessity and demand— that is, in the absence of governmental or any other coercive master-minding—then one will possess an absolutely essential ingredient for freedom: a faith in free people. Freedom is impossible without this faith.*

There are many miracles that get celebrated at this time of year, but one we shouldn't forget is the miracle of the market and the power of free, voluntary exchange to unleash human creativity and inventiveness. Let's take to heart Read's words:

> *Permit these creative know-hows freely to flow. Have faith that free men and women will respond to the Invisible Hand. This faith will be confirmed. I, Pencil, seemingly simple though I am, offer the miracle of my creation as testimony that this is a practical faith, as practical as the sun, the rain, a cedar tree, the good earth.*

Happy Holidays!