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Warren Bryan 3/5/12 Book Review: Capitalism & Freedom Author: Milton Friedman Milton Friedman’s Capitalism & Freedom is one of the most important books regarding economics of the 20th century. His thoughts laid the groundwork for the emerging modern conservative movement, which was an evolution of the 19th century beliefs surrounding liberalism.

Friedman’s major themes of his most famous work consist of the roles of competitive capitalism, as well as the role that government should play in a society “ dedicated to freedom and relying primarily on the market to organize economic activity. ” The book touches on a multitude of other economic issues; however, his first two chapters regarding the major themes of the book are most relevant in today’s study of economics. Most of Friedman’s viewpoints I agree with in terms of promoting freedom and its necessity to promoting prosperity and growth.

Friedman, however, lacks a certain level of clarity regarding the specificity of his definition of “ economic freedom” and the other variants of “ freedom. ” Friedman argues that a free market economic policy is by definition part of freedom, or in his words, “…freedom in economic arrangement is itself a component of freedom broadly understood, so economic freedom is an end in itself. ” This is one of his prime arguments supporting his claim that free market economic policies are critical for a free society.

The implications surrounding this statement are that anyone who is against a free market economic policy is also against the American values of liberty and the liberal tradition, or as Friedman puts it, “ Underlying most arguments against the free market is a lack of belief in freedom itself. ” What he lacks in his explanation concerning the connection between freedom and economic freedom is his disregard to define the concept of freedom, whether concerning its origins, how it developed, or what it means specifically relative to all the different economic issues it applies to.

For example he lists several present day scenarios that violate one’s economic freedom: having to pay 10% of income to social security, not being able to follow an occupation of your own choice without professional licensure, being forbidden to exchange certain items because of quotas that prevent such exchanges, being thrown in jail for setting prices lower than the manufacture specified (fair trade laws), and the farmer who cannot grow the amount he desires because of price supports.

Under complete economic freedom, the government should not be able to tell us how or where to spend ourmoney, dispose of our goods, or how we should labor because it’s in violation of our individual freedom, or our entitlement to property and labor, according to Friedman. Surely these are all characteristics of being free, however his explanation is certainly not the end all-be all. It is more relative to examine what is exactly entitled to the elements of freedom.

A famous example comes from a Supreme Court Justice who said, “ My freedom to move my fist must be limited by the proximity of your chin. ” This coincides with John Locke’s paradoxical claim that one must give up certain rights to achieve freedom. An absolute interpretation of “ freedom” is just not plausible because of the endless amounts of extenuating circumstances that would, and should, interfere with ones freedom. The very nature of society and law places these restrictions on absolute freedom because your actions are limited by the protection of another’s entitlements.

Friedman acknowledges this impossibility and admits that there is still an important role for the government to make the rules and act as “ umpire” toward them. He concludes on this thought stating, “ What the market does is to reduce greatly the range of issues that must be decided through political means, and thereby minimize the extent to which government need participate directly in the game. ” Friedman more narrowly believed the government should intervene with “ indivisible matters. ” A problem with this claim regarding indivisible matters is he never clarifies what constitutes an indivisible matter.

The example he gives is in relation to national defense, “ I cannot get the amount of national defense I want and you a different amount. Withrespectto such indivisible matters we can discuss, argue, and vote. But having decided we must conform. ” Thus, we shall let the government deal with indivisible matters where we must meet a consensus on basic things such as defense. How do we know that a flat tax, a tax reform mentioned by Friedman, counts as a matter that government should control whereas a tax for social security does not?

The criteria must be explained for the difference between the two. Friedman believed that the market allows better proportional representation than the democratic process. “ The market allows the voluntary exchange of goods between individuals without coercion. ” “ Exchange can therefore bring about co-ordination without coercion…no exchange will take place unless both parties do benefit from it. Cooperation is thereby achieved without coercion. ” This implies that the free market system gives people what they want instead of what some group thinks they “ ought to want. This is a basis for his belief in laissez-faire. Friedman believed that government intervention enforces conformity. Policies are implemented based on a majority vote, or at best a 2/3rd vote, thus imposing a view from the majority onto the minority. A valid point that Friedman fails to comprehend that government is necessary for exchange even to begin. What he fails to comprehend is that the market only exists by being founded on laws that the government has already defined.

The perceived freedom of the market and tolerance of diversity is not the product of free markets, yet the benefit and consequence of agreements that makes the market possible to begin with. The possibility that people can exchange goods in the market place pre-supposed that there are contracts, notions of property, enforcement systems for violations and so on. The most crucial part in regards to what makes freedom possible in the market is directly related to the government, the very thing he believed enforced conformity.

I argue that Friedman fails to recognize both types of freedoms, the first being the freedom to participate in the market but not the freedom in regards to the agreement undertaken to participate within the market in the first place, or the rules of the game. An analogy I found clarifies this concept. The analogy compares the games of checkers and chess. Chess has a more complex rule set than checkers does relative to the extent of moves allowable, however most people would probably choose to play chess for this very reason.

Thus, a reduction in rules with the government doesn’t necessarily mean we are more economically free, but yet that we choose to “ play” a different game. Surely I agree with Friedman that the more economic freedom the better, but it is ultimately the government’s job for how we settle the “ rules of the game. ” As Friedman’s book proves, as well as my arguments against some of his claims, it is very hard to establish a fine line between governments and markets. The degree of freedom will always be in question within a free society.

However, there are many different degrees within these free markets and there can be multiple ways to draw the line between government and the market and still be classified as a “ free market. ” -------------------------------------------- [ 1 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 4. [ 2 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 6 [ 3 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 9 [ 4 ].

Howard Schwartz, “ What Color Tie Do you Vote For? ” Jan. 2007, 5 March 2012 [ 5 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 24 [ 6 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 33 [ 7 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 35 [ 8 ]. Milton Friedman, Capitalism And Freedom (Chicago: University of Chicago Press, 1962, 1982, 2002), 35