

Milton Friedman as a Liberal Philosopher

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Michael Munger

The logic that placed democracy in a dependent position relative to capitalism precipitated the conviction that any potentially negative side effects from the politics of liberalism—compromises, alliances, and tactics—would be swept aside by the success of economic reforms. If economic reform implants market institutions, then efficient markets would naturally follow. Efficient markets, in turn, must produce democracy. Efficient markets and democracy would never happen if economic reform failed. Neoliberalism is more than an economic theory; *it is also a political theory*. (Schwartz, 2006, p. 24)

Models can be useful. Economists focus on models more than most social science or humanistic disciplines, but most scholars use abstractions of some sort as a means of understanding, predicting, or presenting an unmanageably complex reality.

Milton Friedman is one of most famous model-builders, and model-destroyers, of the past century. He worked on models of at least three quite different types:

- Models that make predictions
- Models that simulate and embody economic forces and vectors of causation, as means of understanding the effects of policy
- Models that capture a logic and ethic of human behavior, with implications for the good society

I am concerned in this essay almost exclusively with the third category. My charter is to consider the work and contributions of Friedman as a *liberal philosopher*. Accepting that charter, of course, means embracing the modern conceit that philosophy is a narrow and specialized subject, a distinction that philosophers would have found bizarre until about 150

years ago. So it is only fair to warn the reader that some of what follows will also consider the (properly philosophical, properly conceived) subjects of epistemology and causation.

Liberal Philosophy: The Chicago School

The roots of liberalism are ancient, in both the West and in Asia.¹ The word “liberal” is now used in many—sometimes disturbingly inconsistent—ways. Aristotle defined “liberality” as a virtue lying between the vices of profligacy and parsimony. But a “liberal” philosopher, for our purposes, is someone who emphasizes the rights and autonomy of the individual.

Economists often embrace an explicitly consequentialist, even utilitarian, justification for such rights and autonomy, but philosophers usually insist that such considerations should also—at a minimum—be consistent with moral and ethical intuitions. As Gaus (1996: 163) argued, a liberal is someone who believes that liberty is “normatively basic,” an essential primary good that merits presumptive deference. The autonomy of the individual, then, stands prior to obligations incurred voluntarily or as the result of the coercive power of the state to force obedience. The individual may *consent* to be coerced, or utilitarian considerations may be used to *oblige* the individual to obey without his consent, but only if certain conditions are met.

The content of these conditions reveals what type of “liberal” one is. Those who think that the state should (almost) never initiate force against an individual who has harmed no one tend to be “classical liberals,” and emphasize negative liberty, or freedom from constraint or coercion. Those who think that the presumption of liberty and autonomy must be balanced against “positive liberties,” or putative rights to health care or food and shelter are, in the modern American sense, “liberals.” A difficulty with this conception of “liberal,” especially when we make international comparisons, is that it maps awkwardly onto a simplistic left-right conception

¹ See, for example, Gaus (1983), Benn (1988) and Rothbard (1995).

of ideology. The left tends to emphasize conceptions of collectivism that do not comport with autonomy, while the right tends to emphasize the nation and the greatness of a race or people, which likewise square poorly with notions of liberty and universal human dignity.

Friedman fits best as a classical liberal in this schema, though he was no anarchist.² Early in his career, he wrote a controversial piece (Friedman and Stigler, 1946, co-authored with later fellow Nobel laureate George Stigler) that illustrates an important component of his general approach to both policy and liberalism as a philosophy. It is worth considering this famous incident at some length, because it was quite early in Friedman's career (he was only 34, and had just submitted his completed PhD thesis the previous year, in 1945) and because it reveals his early aspirations to advance the purely positive aspects of economics.

Roofs or Ceilings: Friedman and Stigler, 1946

In 1946, the Foundation for Economic Education (FEE) was trying to establish itself as a policy-relevant think tank which was at the same time committed to classical liberal principles. In August it had published an essay by F.R. Fairchild (Fairchild, 1946) that explained the role of profits in attracting investment and creating higher wages. The argument was that profits, far from being taken from wages as was the then-standard Marxist version, were actually necessary for wages even to exist. This essay did little to establish a reputation for FEE, because it was obviously correct for many—adherents of the free market philosophy—and was patently absurd to others who embraced a labor theory of value.

² In some ways, Friedman wanted to be an anarchist, but thought that a minimal state was required for society to function. As he said in a 1995 interview in *Reason* magazine: “There are many varieties of libertarians. There's a zero-government libertarian, an anarchist. There's a limited-government libertarianism. . . . I would like to be a zero-government libertarian [but] I don't think it's a feasible social structure.” Doherty (1995).

Leonard Read, President of FEE, decided to commission something that took on a less abstract subject. One of the popular policy initiatives, especially in large cities, then being debated was price controls, especially ceilings on the amount by which housing rents could be increased. The inflation rate in 1946 was 8 percent, and in 1947 that rate nearly doubled, to more than 14 percent. It “just made sense,” in the minds of many voters—and therefore for many politicians—to constrain the upward movement of this very important component of the household budget to ease the strain on the economy as it made the transition from war to peacetime production.

Read contacted Friedman and George Stigler (himself only 35, and teaching at Brown University at the time) to enlist them to write a short book/pamphlet on rent control. The result, Friedman and Stigler (1946), was even shorter, at 22 pages total, than the Fairchild piece (Fairchild, 1946), which was 66 pages.

But the Friedman-Stigler pamphlet garnered much more attention, not all of it good, at least from FEE’s perspective. Friedman and Stigler had approached the problem as purely a question of welfare economics, a consequentialism that identifies certain stakeholders as “counting” and then aggregates their utility or satisfaction. As Friedman and Stigler put it:

The fact that, under free market conditions, better quarters go to those who have larger incomes or more wealth is, if anything, simply a reason for taking long-term measures to reduce the inequality of income and wealth. For those, like us, who would like even more equality than there is at present, not alone for housing but for all products, it is surely better to attack directly existing inequalities in income and wealth at their source than to ration each of the hundreds of commodities and services that comprise our standard of living. It is the height of folly to permit individuals to receive unequal money incomes and then to take elaborate and costly measures to prevent them from using their incomes.*

The “*” footnote attached to this paragraph was inserted by the “Editor,” none other than Leonard Read. He felt that this kind of argument was dangerous, and at a minimum required further elaboration. The footnote attached by Leonard Read went this way:

*Editor’s Note: The authors fail to state whether the “long-term measures” which they would adopt to go beyond elimination of special privileges, such as monopoly now protected by government. In any case, however, the significance of their argument at this point deserves special notice. It means that, even from the standpoint of those who put equality above justice and liberty, rent controls are “the height of folly.”

This footnote, according to Doherty (2007, pp. 191-193), was inserted as a compromise. Read had asked, then nearly demanded, that Friedman and Stigler remove the offending paragraph that appeared to concede that equality should be a central goal of public policy. The authors had refused. Read’s footnote was thus a way of trying to inoculate FEE from appearing to endorse this kind of heresy.

In the actual event, however, Read’s attempt to distance himself from the pamphlet didn’t work very well. The problem, from the perspective of those who took a liberal philosophical, as opposed to purely economic, view was that the primary problem with rent control was not that it was inefficient, though that was undoubtedly true. The problem with rent control was that it was a violation of property rights! As Doherty (2007) describes the reaction of (for example) Ayn Rand:

The Friedman/Stigler pamphlet was positively evil, she thought, since it implied that rationing by government command was the moral equivalent of “rationing” by a free price system, with the only important difference being efficiency. That is, they tried to explain why rent control was bad not by arguing that it was always and everywhere wrong to order other people about what they could or could not charge for their property or services, but merely that doing so led to certain inefficiencies in terms of lowering the amount of available property that even advocates of rent control would realize are not what they wanted. (pp. 191-192).

This distinction neatly captures one of the central problems of interpreting Friedman’s work as a liberal philosopher. Some philosophical classical liberals, at least those of a libertarian

sensibility, emphasized natural rights and the value of autonomy as an end in itself. There were quite a few economists in this camp, but they tended to be followers of the Austrian school, especially Ludwig von Mises.

Friedman, by contrast, was first and foremost a consequentialist, though not a utilitarian as he is sometimes described.³ Friedman had a number of moral and ideological commitments, but his practice of economics tended to be in what we now think of—partly because of Friedman—the “Chicago School.”⁴

Elsewhere (Munger, 2011) I have argued that there is a complex set of connections between the “destinationist” conception of libertarian policy evaluation and the “directionalist” conception. Austrian economics tends to evaluate policy with reference to an idealized conception of market processes in the absence of interference; for Austrians, then, it makes little sense to compare different versions of inferior policies, or to concede that political obstacles admit of any value in a marginal or incremental approach to policy. This pure or ideal theory approach has many advantages, because it presents a fully executed ethical conception of a “destination” or ideal society and the individual’s place in it.

But it is not the society that we actually live in, where there is a large and intrusive state. For evaluating policy initiatives in that context, a directionalist approach—and Friedman was, in my terms, mostly a directionalist—was preferable. In considering policy proposals, he evaluated whether there was a decrease in cost or an increase in freedom and autonomy. Directionalists are

³ A consequentialist is interested in empirical facts about the relations between actions and outcomes. A utilitarian takes an additional step and argues (assumes, actually) that it is useful, and so possible, to make interpersonal utility comparisons. Skousen (2006) calls Friedman a “thorough-going...utilitarian.” But Friedman was not. He was a consequentialist.

⁴ For further elaborations of this comparison of Austrian vs. Chicago method, see Rosen, 1997; Yeager, 1997; and Skousen, 1998.

much closer to consequentialists in their conception of policy progress, because their comparisons are Paretian. That is, they think incremental increases in liberty are preferable to the status quo, even if these increases leave one in a state that is still—from the standpoint of a destinationist—oppressive.

That’s why the “Roofs or Ceilings?” controversy is so vital for understanding Friedman’s philosophical worldview. One should not conclude that Friedman himself advocated for equality as a primary goal for society.⁵ Rather, given that there is a substantial political consensus in favor of (more) equality, the question is how to move in that direction in a way that costs least and preserves the most liberty.

So, to make the distinction clearer, a city planner or municipal mayor might say, “We want more equality, and to achieve more equality we are going to impose rent controls.”

- The (destinationist) Austrian would say: You shouldn’t want more equality, because what you would have to do to achieve that kind of society would violate individual rights and cause great injustice.
- The (directionalist) Chicagoan would say: If you want more equality, then rent control actually does more harm than good. You would be better off with vouchers or some less distortive policy measure like redistributive taxation, if you want less inequality.

I think confusion over Friedman’s willingness to grant a premise—even a premise he himself found repugnant on ethical grounds—in policy debates is one of the key reasons he is

⁵ In fact, Friedman flatly denies what Doherty (2007) calls “the seemingly obvious implication” of the statement that equality could, and should, be attacked “at its source.” Friedman called the footnote, which “in effect accused us of putting equality above justice and liberty...inexcusable.” (Friedman and Friedman, 1998; p. 151; quoted in Doherty, 2007; p. 654, fn# 100). It’s only an “obvious implication” if you are a destinationist. A directionalist has no trouble granting the premise that equality is politically demanded, and then working out which policy that achieves that end is most consistent with efficiency and liberty.

often misunderstood as a liberal philosopher. Ayn Rand, on reading “Roofs vs. Ceilings,” apparently went into a rage, calling authors Friedman and Stigler (hilariously in retrospect) “two reds” (Berliner, 1997; pp. 320-327). Her sense of betrayal may have been particularly sharp because she had offered to vet FEE publications before they went out as a means of preventing such doctrinal mistakes and apostasy, only to see this document after it had already been printed.

Liberal Philosophy: Free to Choose

In the previous section, I tried to explain the apparent incoherence, bordering on internal contradiction, that seems to pervade Milton Friedman’s writing. He is a thorough-going directionalist, and will generally accept political constraints as binding and then seek to offer policy advice that improves efficiency or enhances liberty within that mandate. To the extent that different political decisions or constraints are themselves inconsistent, Friedman *seems* inconsistent. But the consistency in his approach should be understood as a direction, after granting whatever premise has been posited about political necessity.⁶

There are times, however, when he steps outside of a political consensus and offers a clearer view of his political liberalism. The clearest expression of this philosophy, in my view, is an unpublished speech given on August 14, 1990 to the International Society for Individual

⁶ A discussion with my colleague Jonathan Anomaly helped me clarify this section. There is in fact no contradiction at all between the following two statements: A. “I believe that worlds with policy X are both more prosperous and more fair than other worlds;” B. “If we are constrained by political feasibility to choose between policy Y and policy Z as the only available options, I believe that policy Y results in a world that is more prosperous and fair, and so is preferable to policy Z.” One could hold belief A, and also belief B, without any contradiction.

Liberty, the 5th World Libertarian Conference.⁷ The title of the speech was “Libertarianism and Humility.” Here is an excerpt, summarizing Friedman’s view of political authority.

I have no right to coerce someone else, because I cannot be sure that I’m right and he is wrong. As a long-time liberal-libertarian, I am puzzled by a paradox. On the one hand, I regard the basic human value that underlies my own beliefs as tolerance, based on humility. I have no right to coerce someone else, because I cannot be sure that I am right and he is wrong. On the other hand—and this is the paradox—some of our heroes, people who have done the most to promote libertarian ideas, have been highly intolerant as human beings, and have justified their views (with which I largely agree) in ways that I regard as promoting intolerance. (Friedman, 1991; pp. 11-13)

The “heroes” Friedman refers to here are Ayn Rand and Ludwig von Mises. He had had some difficult encounters with Rand, Mises, and their followers, and had been dismissed and insulted as a consequence.

In the same speech, Friedman gives a general claim about the inadequacy of general claims: “No simple principle is really adequate. We do not have all the answers, and there is no simple formula that will give us all the answers. That’s why humility, tolerance, is so basic, so fundamental.” (Friedman, 1991; p. 17) What this passage makes clear is that Friedman’s conception of political authority is much more like that of James M. Buchanan than that of Mises or Rand. Of course, this position is infuriating to those who think that the whole reason for engaging in political theory is to adumbrate simple, general principles. Friedman offers an anecdote as an illustration:

I recall a personal episode, at the first meeting of the Mont Pelerin society—the founding meeting in 1947 in Mont Pelerin, Switzerland...One afternoon, the discussion was on the distribution of income, taxes, progressive taxes, and so on. The people in that room included Friedrich von Hayek, Fritz Machlup, George Stigler, Frank Knight, Henry Hazlitt, John Jewkes, Lionel Robbins, Leonard Read—hardly a group whom you would regard as leftists. In the middle of that discussion von Mises got up and said, “You’re all a bunch of socialists,” and stomped out of the room. (Friedman, 1991; p. 18)

⁷ A transcript was later published in *Liberty Magazine*, as described in the references. It is available as a non-searchable PDF, in a scanned copy of the original magazine.

For Friedman, the only general principle is that (other) general principles are misleading and constraining. His assessment of Mises (and Rand) is quite harsh):

The important thing to me is less their intolerance in personal behavior than the philosophical doctrines on which they [Mises and Rand] claimed to base their views, which seemed to me to be fundamentally a source of intellectual intolerance... [We] have absolutely certain knowledge of the motivations of human action...because we are human beings...[We] can derive substantive conclusions from that basic knowledge. Facts, statistical or other evidence cannot...be used to test these conclusions...[We] are not generalizing from observed evidence, but from intimate knowledge of human motives and behavior...That philosophy converts an asserted body of substantive conclusions into a religion. They do not constitute a set of scientific propositions that you can argue about in terms of empirical evidence. (p. 18)

Rand did not regard facts as relevant...She derived everything from the basic proposition that $A=A$...[But] suppose your house is next door. You have a hi-fi system. You play your hi-fi at an enormously high decibel count. Are you violating my private property? Those are questions to which you can't get answers by introspection or asking whether A is A or not. They are practical questions that require answers based on experience...So simply saying "private property" [because $A=A$] is a mantra, not an answer. (p. 20).

Still, it is not quite right to claim that Friedman is taking the skeptic's position that there are no general principles. There is in fact a general principle, which we might call Friedman's "Knowledge Problem." And it is on this Knowledge Problem that he founds his political philosophy.

Knowledge Problem

To understand Friedman's position as a liberal philosopher, one must constantly harken back to the foundation. Friedman starts "from a belief that nobody can be sure that what he believes is really, really right" and then considers the system that can work best with that limited amount of information, and the consequent limit on the grant of political authority for coercion. He says this most clearly in an interview published in *Reason* in 1974:

The case for free enterprise, for competition, is that it's the only system that will keep the capitalists from having too much power. There's the old saying, "If you want to catch a thief, set a thief to catch him." The virtue of free enterprise capitalism is that it sets one businessman against another and it's a most effective device for control.

I start...from a belief in individual freedom and that derives fundamentally from a belief in the limitations of our knowledge, from a belief...*that nobody can be sure that what he believes is right, is really right...*I'm an imperfect human being who cannot be certain of anything, so what position...involved the least intolerance on my part?...The most attractive position...is putting individual freedom first. (Machan, et al., 1974; emphasis added)

For philosophers, this mild moral and practical skepticism may seem odd. After all, if you don't know if you are right, why would we presume that I am right, or even probably right, about my *own* goals and judgments? If Friedman actually believes that one cannot know what is right, then why does this not lead to a more radical skepticism, or even moral nihilism? And how does one square this skepticism about morality with Friedman's (apparent) confidence about empirical conclusions about policies?

The answer, in my view, is that Friedman's presumption in favor of individual freedom is rebuttable, so that it is possible to justify coercion, but the justification requires agreement on relevant empirical facts. There are myriad instances where Friedman would allow, or even require, the use of force and coercion practiced by a state.

The *principle* is that there is no general, encompassing principle. No one knows enough, using only *a priori* reasoning based on universal laws, to use force against someone else. Since there are no universal justifications, Friedman begins with a strong presumption in favor of individual freedom and autonomy which can be rebutted, justifying coercion in certain narrow circumstances and limited contexts.

The *practice* is therefore that groups of people must negotiate, argue, and compromise on the actual form and manner of state action, case by case, based on empirical arguments. National

defense, a currency, education, and so on must each be decided based on the consequences of choosing state action or private action. Disagreements will be adjudicated by appealing to evidence. No one has enough knowledge to impose on someone else's liberties *a priori*, using simple, general principles. Still, the restriction of liberty might well be justified, or even required, *after* an empirical examination of statistical evidence, provided the group (including those to be coerced) can agree on facts.

There are, I think, two ways to read this "Knowledge Problem." The first is Mill's, where sound arguments are proven sound not by reason but by "collision with error":⁸

Let us suppose, therefore, that the government is entirely at one with the people, and never thinks of exerting any power of coercion unless in agreement with what it conceives to be their voice. But I deny the right of the people to exercise such coercion, either by themselves or by their government... If all mankind minus one, were of one opinion, and only one person were of the contrary opinion, mankind would be no more justified in silencing that one person, than he, if he had the power, would be justified in silencing mankind. Were an opinion a personal possession of no value except to the owner; if to be obstructed in the enjoyment of it were simply a private injury, it would make some difference whether the injury was inflicted only on a few persons or on many. But the peculiar evil of silencing the expression of an opinion is, that it is robbing the human race; posterity as well as the existing generation; those who dissent from the opinion, still more than those who hold it. If the opinion is right, they are deprived of the opportunity of exchanging error for truth: if wrong, they lose, what is almost as great a benefit, the clearer perception and livelier impression of truth, produced by its collision with error.

In other words, there must be a presumption that general principles, no matter how derived and no matter how deeply and widely felt by citizens, could *in principle* be incorrect. For Mill, this meant that expressions of dissent from "accepted" principles must be protected, even if those in power themselves disagree with the dissent. This is the definition of "tolerance," in fact.

Protecting views that the authority shares require no separate principle; only protecting

⁸ Friedman's most overtly "Millian" writing is probably Friedman (1987).

something heterodox and “wrong” require tolerance.⁹ That is simply a matter of self-control: I believe that I am in fact correct in the views I hold, but I also can choose to believe that I might be wrong. That self-imposed restriction would imply that I cannot impose my views on those who disagree. In that first account, I could never know enough to coerce others, any more than they could know enough to coerce me.

The second way to read the “Knowledge Problem” goes beyond a principle that requires each of us to recognize the possibility that we are fallible. This reading would interpret the Knowledge Problem *literally*: no one has, or could have, enough information or wisdom to be able to justify the use of force against others, except as a means of enforcing agreements voluntarily agreed to. This is much closer to Hume’s (and, of course, Hayek’s) view: There are few, if any, objectively “right” positions, and we must work instead from accumulated lessons and conventions as sources of information. As Hume argued, in “Of the Original Contract”:

Our primary instincts lead us either to indulge ourselves in unlimited freedom or to seek dominion over others; and it is reflection only which engages us to sacrifice such strong passions to the interests of peace and public order. A small degree of experience and observation suffices to teach us that society cannot possibly be maintained without the authority of magistrates, and that this authority must soon fall into contempt where exact obedience is not paid to it. The observation of these general and obvious interests is the source of all allegiance and of that moral obligation which we attribute to it.

The difference between this and the “natural rights” view of Rand might seem small, semantically. But there is a gulf between the way Friedman’s view and Rand’s perspective cash out, in terms of policy. Rand would argue that it is always forbidden for A to coerce B, because B has a fundamental, natural right not to be coerced, so coercion is morally evil.

Friedman would argue it is in most cases, empirically, a bad idea for A to coerce B, because A does not have enough information, and therefore lacks practical political authority, to

⁹ See, for example, Popper (1971), or Spinoza (1951).

coerce B. The usual justifications (A's coercion is for B's own good, or coercion is for the good of the community of which both are a part) simply do not apply. This is not because they are insufficient *morally* but because they are likely to be wrong *empirically*. In actual consequentialist terms, A's action is probably *not* "for B's own good"—B is likely worse off—and coercive collective acts do not improve the welfare of the community of which both are a part—the community is worse off, when the plan fails in implementation or because of unintended consequences. The problem is that the sequence of outcomes of policies intended to do good have lags that are "long and variable" and have in addition other consequences, neither intended nor foreseen, that more than offset the positive effects of the coercive policies, if there were any.¹⁰

It is important to parse this carefully. For Friedman, B has no real fundamental right *not to be coerced*. But A has *no practical justification* that gives A authority *to impose coercion* on B. So coercion is (usually) illegitimate, because the actual consequences are different from A's intention, and much worse than B's position if he had not been coerced. Friedman's soft, tepid consequentialist core belief rejecting political authority makes clear why Rand, and later Objectivists, thought this argument was anemic. Worst of all, if the consequences of coercion really are positive, according to some (unspecified) standard of empirical certainty, then coercion can actually be *justified*, in Friedman's view:

It is of course desirable to have a vision of the ideal, of Utopia. Far be it from me to denigrate that. But we can't stop there. If we do, we become a cult or a religion, and not a living, vital force. These comments apply, I believe, to the largest socialist enterprise in the U.S. as well. That is, of course, national defense. Like everyone else in this room, I am appalled by the waste of the defense industry. I am sure that if you and I could only run it, we could do it for half the money, and do it a lot better. But although I have tried for many years to figure out a way in which we could run defense as a private enterprise... I have to admit that after some 30 years [I am unconvinced]. At any rate,

¹⁰ For the origin of the "long and variable" lag concept see Friedman (1961).

simple slogans like "The market will take care of it" or "noninterventionism" do not resolve the hard problems. We may very well agree on the *direction* we want to go in, but *just how we're going to go there and how far we're going to go, that's a much more difficult problem.* (Friedman, 1991; p. 20; emphasis added).

To summarize, I have tried to argue that the (apparent) contradictions in Friedman's position are the result of the fact that *he really does take two different positions*, depending on the context, and it's hard to keep them straight. Here is an overview of the two positions:

1. *Friedman-as-Chicago-Policy-Analyst* is a directionalist through and through. He has no particular objection to state-provided national defense, except that it is inefficient. The problem is that, empirically, private provision would be even more inefficient. He has little concern for ideal theory. His objectives are to choose "the direction we want to go in," and then to figure out the policy alternatives to be selected, given the particulars of political time and place.¹¹
2. On the other hand, *Friedman-as-Liberal-Philosopher* would prefer private provision of defense, and all other activities of the state, provided that such activities could be performed efficiently. That is, there is a presumption—strong but rebuttable—that everything that can be done privately should be done privately, and if it cannot only then can the government become involved.

The difference between the two perspectives Friedman takes is this: The Chicago Policy Analyst treats efficiency as an *objective*, subject to the *constraint* of a political consensus that is given and not to be questioned. The Liberal Philosopher takes a political consensus in favor of freedom as the *objective*, subject to the *constraint*, which is also not to be questioned, of

¹¹ We generally think of the "Knowledge Problem" as having been most clearly stated by Friedrich Hayek, though many others have referred to the problem. As Hayek (1945) put it "The knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess."

economic efficiency. This “have it both ways” view is confusing to selective readers, and frustrating to those who themselves reside solely in either the Policy Analyst or Liberal Philosopher realm. But I argue that it is the best way to understand Friedman.

An Aside on James Buchanan

In some ways, and with some important differences, Friedman’s approach is related to that of fellow Nobelist James Buchanan. Buchanan also rejected the notion that anyone had an a priori right, or legitimate capacity, to coerce anyone else. But Buchanan had two rather quirky restrictions on his own views that will help us to understand Friedman’s perspective.

The first was “*we start from where we are.*”¹² Buchanan, like Friedman, had little patience for ideal theory. He might decry a policy or decision that he found absurdly inefficient or cravenly corrupt, but by and large Buchanan would argue that the existing distribution of property rights and welfare could only be changed with the consent of all, or nearly all. Utilitarian considerations were generally ruled out, and if gains to gainers exceed losses to losers the Coasian rather than Kaldor-Hicksian solution must be used.¹³

The second was “*the relatively absolute absolutes.*”¹⁴ Buchanan had a frustrating (to critics, and sometimes to friends!) tendency to insist that certain things—laws, ethical or moral systems, traditions—must be taken as fixed and given, and at the next moment be willing to question everything and hold that nothing is sacrosanct. Buchanan’s justification for this duality

¹² Buchanan (1962). Cited in Shughart and Tollison (2002).

¹³ The difference is *actual* consent. For more on this distinction, and the importance of actual consent, see Munger (2014).

¹⁴ Buchanan (1965). Cited in Shughart and Tollison (2002).

in his approach is that the questions being asked are themselves of two sorts: are we (a) choosing among ways of choosing, or are we (b) making a choice?

Once these two contexts or categories of questions are properly recognized, most of the apparent contradictions in Friedman's work simply disappear. Sometimes we are talking at the level of *system*, of rules and meta-rules. At this level, Friedman consistently argues for maximal liberty, constrained only by the necessity of choosing the rule leading to efficiency, or Pareto optimal outcomes.¹⁵ At other times, however, we are talking about a *particular* choice, *given* an existing system of levels of taxation and regulation. In such a setting, Friedman argues for maximal efficiency, constrained by the requirement that there is no reduction in liberty.

The key difference between Buchanan and Friedman is the centrality—or even the admissibility—of empirical evidence. For Buchanan, empirical evidence was of limited value; what mattered was the beliefs of the participants.¹⁶ For Friedman, there are many empirical questions. In fact, many of the most important questions are empirical, and empirical evidence can be dispositive, settling the question. In philosophical terms, Buchanan would claim that any fully consented agreement is good, and has authority, at least on those who agreed to it, while Friedman believed that for many policy questions there was a “fact of the matter,” and that evidence has authority in establishing that fact.

This difference is important. For Friedman, there is an objective reality, and the task of positive science is to discover and catalog these “truths.” Then policy is a matter of “If-then” analogy. If a society decides that it wants to achieve Y, does X_i or X_j accomplish that goal more

¹⁵ Importantly, of course, if exchange is allowed and property rights are efficiently enforced, all outcomes are Pareto optimal automatically.

¹⁶ See, for example, the interview conducted by Dr. H.G. Brennan, where Buchanan scoffs at “that empirical nonsense” (Liberty Fund, 2001).

efficiently and with less collateral damage to liberty? One might object to Y, of course, but given that there is a (substantial) consensus in favor of Y the real question is which policy X is best at achieving that goal.

But Friedman did sometimes question, as is discussed in the next section, core goals and means if he thought their consequences were too damaging. That contradiction means that he sometimes accepted the goal and worked only in an “If-then” context. But sometimes he rejected the goal and proposed an alternative understanding of how outcomes should be valued. This may be why Friedman was decried by the Left as a “war criminal” and flogged by the libertarian Right as a “socialist.”

What’s interesting is that Buchanan was (at least as) susceptible to the same criticism. Buchanan’s subjectivism and deference to group consent was deeper even than Friedman’s. Buchanan echoed the “Knowledge Problem” aspect of Friedman’s political theory, as a starting point. But then Buchanan would use consent as the only constraint on coercion. A group might very well choose to be a socialist welfare state, or a fully communist state with zero property rights, so long as the members of the society agreed voluntarily to that arrangement and had some exit option.

I claim no rights to impose [my] preferences on others, even within the limits of persuasion. In these introductory sentences, I have by implication expressed my disagreement with those who retain a Platonic faith that there is “truth” in politics, remaining only to be discovered and, once discovered, capable of being explained to reasonable men. We live together because social organization provides the efficient means of achieving our individual objectives and not because society offers us a means of arriving at some transcendental common bliss. Politics is a process of compromising our differences, and we differ as to desired collective objectives just as we do over baskets of ordinary consumption goods. (p. 3)

Consistency demands that we list our private preferences as being neither more nor less significant than those held by others, and it thereby dampens our natural lapse into the cocoon of the philosopher-king...Each man counts for one, and that is that. Once this basic premise is fully acknowledged...a criterion for “betterness” is suggested. A

situation is judged “good” to the extent that it allows individuals to get what they want to get, *whatsoever this might be*, limited only by the principle of mutual agreement. *Individual freedom becomes the overriding objective* for social policy, not as an instrumental element in attaining economic or cultural bliss, and not as some metaphysically superior value, but much more simply as a necessary consequence of an individualist-democratic methodology. In some personal and private baring of my soul, I may not “like” the observed results of a regime that allows other men to be free...[but] the dominant role of individual liberty is imposed by an acceptance of the methodology of individualism and not by the subjective valuations of this or that social philosopher. (pp. 4-5; emphasis added)

Buchanan is then in the odd position of insisting that his own opinion does not matter, except as a member of a consensus. No one’s opinion matters, in fact. What matters is the agreement at which the group arrives, and that is the result of a *discovery* process about *aggregating preferences*. For Friedman, each person’s opinion might matter, and each person might be right. The consensus at which the group arrives is the result of a *discovery* process about *aggregating information* through gathering and carefully weighing evidence.

This difference goes deep, and is necessary for understanding the epistemological status of Friedman’s liberal philosophy. His conclusion is most famously stated in his essay on “Positive Economics” (Friedman, 1953). He grants that there are some questions that can only be resolved by values, rather than resort to empirical evidence. But he is convinced that debates about values are fruitful, and in any case values debates are not part of the domain of economics as a discipline. Almost all the interesting questions—the questions that divide citizens and prevent consensus—are for Friedman empirical, and careful empirical exploration can lead, and should lead, to consensus.

[C]urrently, in the Western world, *differences about economic policy among disinterested citizens derive predominantly from different [empirical] predictions about the economic consequences of taking action* – differences that in principle can be eliminated by [logic and discussion] – rather than from fundamental differences in basic values, differences about which men can ultimately only fight. (Friedman, 1953; p. 5; emphasis added).

If this judgment is valid, it means that a *consensus on “correct” economic policy* depends much less on the progress of normative economics proper than on the progress of a positive economics yielding conclusions that are, *and deserve to be*, widely accepted. It means also that a major reason for distinguishing positive economics sharply from normative economics is precisely *the contribution that can thereby be made to agreement about policy*. (P. 6; emphasis added)

Impact as a Liberal Philosopher

There are many measures of impact for an academic and public intellectual, and Friedman clearly had a remarkable impact in a variety of settings. He won a Nobel Prize in 1976, and had an extraordinarily influential run writing a column for *Newsweek* magazine, publishing more than 300 columns from 1966 through 1984.¹⁷ But he won the Nobel for technical economics work, “his achievements in the field of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy.” And the *Newsweek* columns were written more as op-eds or short policy pieces than as works of serious scholarship.¹⁸ How are we to judge Friedman’s impact as a liberal philosopher?

We might consider Friedman’s impact in philosophy. But philosophy has many sub-branches, and Friedman’s work on logical positivism and the “efficient markets hypothesis” (Friedman, 1953) have been the subject of extensive criticism and discussion in philosophy (for an overview, see Rosenberg, 1972; 1992).

Friedman himself would scoff at the idea that there is any *a priori* way of judging impact; the question is empirical. I will try to get a broad conception of Friedman’s impact as a liberal

¹⁷ Technically, it’s not a Nobel Prize. It’s the “Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.” This prize had only been established recently (1969) at that time, but it has come to be known, at least inside the economics profession, as “The Nobel Prize.”

¹⁸ The titles, dates, and text of the *Newsweek* columns can be found at Friedman (N.d.). Friedman also wrote other important, or at minimum widely influential, work in the popular press, such as Friedman (1970).

philosopher by considering a quantitative measure (citations) and a qualitative measure (citations by leading contributors to political philosophy).

Quantitative: Citations

One standard of comparison is references in JSTOR, the journal database. This database is not a comprehensive listing of all journals, of course, and for most part it does not catalog references in books. But it does contain information from more than 100 journals in philosophy and nearly 150 journals in economics, and is widely used as a source for seeking references and information about citations.

I collected information about the number of times that the literal character string “Milton Friedman” appeared in the titles, the titles or abstracts, or in the full text of journal articles in philosophy, economics, or “other” sources indexed by JSTOR. For the sake of comparison on relative magnitudes, I collected similar data for the character strings “Robert Nozick” and “Paul Krugman” in the full texts of journals for the same sources. The results appear in Table 1.

Table 1: Milton Friedman’s JSTOR Citations, and a Comparison to Robert Nozick

Discipline Type of Citation	Philosophy	Economics	Other	Total
Title	5	50	13	68
Abstract+Title	21	89	43	153
M. Friedman in Full Text	734	7,030	5,002	12,766
R. Nozick in Full Text	2,280	339	1,909	4,222
P. Krugman in Full Text	52	2,203	1,725	3,980

These results may underrepresent the actual number of references, of course, since many citations may be the form “LastName (1980)” in the text and “LastName, FirstName. 1980.” in the bibliography. Searching for the literal character string “FirstName LastName” requires that

the name is used in the text as a name rather than just as a reference. For that reason, I included Nozick's and Krugman's citations using the same method, as a way of checking the scale. One could object that the results should be normalized (citations per year, citations per publication, etc.) in some way, but I am not trying to compare Friedman's status as a philosopher to Nozick's (or Krugman's) as much as I am trying to establish that Friedman has a substantial presence in philosophy journals.

It is also useful to get an idea of the broader impact of Friedman's works that are oriented toward "liberal philosophy." There are many works on Friedman's record that are relatively technical, or that address narrow problems of money and banking policy. The four broadest works that address fundamental issues of political philosophy or epistemology are Friedman (1953), Friedman (1962), Friedman (1970), and Friedman and Friedman (1980). The overall level of citations, and the average citations per year for each, is presented in Table 2.

Table 2: Top Philosophy References for Milton Friedman, Google Scholar

Title	Cites	Cites Per Year*	Year of Publication
<i>Capitalism and Freedom</i>	12,919	249	1962
<i>Social Responsibility of Business</i>	8,879	202	1970
<i>Methodology of Positive Economics</i>	4,656	76	1953
<i>Free to Choose</i>	2,656	111	1990
Total / Total Cites per Year	29,110	638	

*Cites Per Year = Total Cites / (2014-Year of Publication)

Qualitative: Arguments

Friedman has become for many an avatar, reduced to a caricature. This is far more likely for people who have never actually read or thought deeply about the arguments Friedman tried to advance. Earlier in this paper I hope I have established that Friedman is no anarchist, and in fact

is not “really” a libertarian, in the sense that word would have been used by people who do call themselves libertarians.

Neither, of course, is he a “socialist.” Many of Friedman’s writings are pragmatic, and directional/policy-focused, as with his famous support in favor of educational vouchers (which are after all heavily redistributive, and involve the state in financing, though not providing, education) and his opposition to the military draft (supporting instead a volunteer force, which leaves intact the state’s ability to use an army for elective foreign wars).

At its core, Friedman’s argument for liberalism is a presumption in favor of personal liberty and autonomy, and a presumption against state action, both largely on consequentialist grounds. But you would think that Friedman was simplistically and universally an anarchist, from the way his work is characterized in academic works. Dani Rodrik (Rodrik, 2011) typifies this depiction: “Economists get an unfair rap... The image of the economist most people carry in their head is that of Milton Friedman, preaching endlessly about the virtues of free markets and the perils of government intervention.” (p. xxi).

This notion of “preaching” is often used in snide academic putdowns of Friedman’s advocacy. Friedman’s response, when he was able to give it, was effective. An interviewer was once framing a question about Friedman’s “faith in markets,” when he interrupted, objecting, “I don’t have faith; I have *evidence*.”¹⁹ As we have seen in the section above, this focus on evidence is what made Friedman so effective—and so irritating—as an opponent in debate.

There is one element of Friedman’s approach that does approximate “faith,” in the sense that it is a core assumption or premise. This is the notion that voluntary exchange makes both parties to the exchange better off, with the subsidiary premise that individuals are the best judges

¹⁹ Quoted by Becker in Friedman (2003).

of what “better off” means for them. Friedman was not nearly as subjectivist as Austrian economists; for him, the claim that individuals are more likely to be good judges was objectively true, at least as an empirical generalization.²⁰ He famously outlined (Friedman and Friedman, 1990; p. 162) the likelihood that money would be spent well (in the sense of delivering benefits) or effectively (in the sense of avoiding waste).

- If I am spending my money, on myself, I will spend it efficiently and effectively.
- If I am spending my money on you, I will be efficient, but I lack both the incentive and the information to make sure I am buying just what you would want, in the way that you want it.
- If I am spending your money on me, I will likely be inefficient, even wasteful, but it is also likely that the result will be what I want.
- Finally, if I am spending someone else’s money on someone else’s needs, there is no reason to expect that the spending will be either efficient—in fact, there will be massive waste—or that the spending will be effective—you won’t get anything like what you would have chosen.

In markets, whatever else is true of market failure and information problems, the consumer is generally using her own money to buy something for herself. And in state action, whatever else is true about collective action problems and information, the legislator is generally spending someone else’s money on delivering benefits to someone else. That means that the presumption in favor of personal autonomy, and market exchange, is more accurately a

²⁰ That is, it is hard to separate the claims that people “really are” the best judges of their own welfare, which is likely to be true much of the time, and the claim that society should, as a matter of policy, act as if people were the judges of their own welfare. I am not aware of Friedman parsing this distinction, and he may not have thought it was important.

skepticism about the ability of the state to recognize, to select, and then to implement improvements over (admittedly flawed) market outcomes.²¹ The argument of classical liberals is not that markets are perfect, but rather that the state is largely incapable of carrying out many of the functions we can imagine for it.

One kind of argument about “voluntary” exchange addresses sweatshops, or more generally work arrangements where one party to the transaction—usually labor—has no realistic alternatives to accepting the offer made by the other party. The argument, in the abstract, is that made by Friedman (1962):

Fundamentally, there are only two ways of coordinating the economic activities of millions. One is central direction involving the use of coercion - the technique of the army and of the modern totalitarian state. The other is voluntary cooperation of individuals - the technique of the marketplace.

The possibility of coordination through voluntary cooperation rests on the elementary—yet frequently denied—proposition that both parties to an economic transaction benefit from it, provided the transaction is *bi-laterally voluntary and informed* (emphasis original, Friedman 1962: 13).

I present the entire quote; often, only the second paragraph is quoted, and the critic then attacks the ability of markets to carry out the functions of coordination perfectly and costlessly. And of course that argument may be correct, as far as it goes. But “*there are only two ways*” of coordinating the actions and plans of millions of people. Markets may in fact be quite bad, compared to an illusory and unachievable benchmark that exists in the fertile imagination of planners and bureaucrats. But the *actual* state, the *actual* problems of central direction, are in many cases even worse than, though admittedly from, the problems that would be faced by market processes.

²¹ For background on autonomy and its place in liberalism see Benn (1988) and Gaus (2005).

The argument about “voluntary exchange” has been taken up as part of a policy question: What, if any, action should the state in advanced nation A take to restrict working conditions in other countries that are outside of its putative jurisdiction? For example, is it legitimate to impose restrictions on corporations or manufacturers in other nations because—*by the standards of the advanced nation buying the products*—workers in the developed nation L work in “sweatshops”? The policy problem is clear enough: the working conditions would be illegal if they were found in A, how can it be acceptable to buy products produced in those same (unacceptable) conditions just because they happen to be in distant country L?

Friedman’s answer is that an exchange is voluntary if it is uncoerced, and that coercion if it does take place is far more likely to result from government action than from private agency. Still, Friedman is concerned about concentrations of power such as monopolies, precisely because they are limitations on voluntary exchanges. But by and large exchanges that take place between (or among) private parties is voluntary so long as there is no coercion.²²

This view has figured prominently in debates of business ethics. Maitland (2004) and Powell (2014) have argued that the question of whether relying on sweatshops (assuming that there is no slavery or coercion, and laws are obeyed) is essentially a consequentialist one. The key fact, for proponents of the Friedman view, is that closing the sweatshop or otherwise preventing it from operating would force the sweatshop workers to take jobs they like even less. The alternative job may pay less, have even worse conditions, be further away, or have some other drawback. But the fact that the workers are constrained by their abject circumstances to

²² Some scholars have asked whether “coercion” might include coercion by circumstance. For a review and discussion, see Munger (2012) and Guzman and Munger (2013), who define truly voluntary, or “euvoluntary,” exchange as being defined by the usual conditions for competition, with both buyers and sellers having many acceptable options.

accept in country D an employment situation that would be acceptable in country A is not a prima facie argument for outlawing sweatshops. In fact, as Powell (2014) has argued the sweatshop may even be good policy from the perspective of nation D, not just a benefit to their workers. A number of nations have successfully developed into advanced economies by starting with what in retrospect looked like sweatshop conditions.

An interesting—and quite fair-minded—recent evaluation of these sorts of arguments from a purely ethical perspective is Carson (2013). Carson grants the definition of what Maitland (following Friedman, or so Maitland claims) calls the “Classical Liberal Standard,” or CLS. What Carson does is to give examples of exchanges that are mutually beneficial but which are (he claims) morally wrong. The point of the argument is that the CLS does not guarantee morally acceptable action. But Carson is careful to say that one cannot conclude from this that CLS implies that exchange is *immoral*. The labor practices allowed by the CLS, then, might or might not be morally wrong. The answer depends on the answers to other questions which CLS does not really take up or impose restrictions on.

Grant (2010) likewise assesses the claim that “voluntary” exchange is always permissible, without further restrictions, and ask whether this claim can really serve as an objective, positivist basis for justifying markets as an arena for human action. She parses the problem of coercion and morality deftly, noting that there are really two conditions that must be met for an action to be formally coercive or exploitative. The first is the absence of an acceptable alternative, which is not only likely but is the very premise of the defense of sweatshop employment. If you walk into a sweatshop and ask, “Who wants to leave?” exactly no one raises her hand. This job is better than anything else they can get. But the second condition, that the person being employed at a low wage is deprived of some right, is not met.

Still, there are many acts that are not formally coercive that might nonetheless be unethical, because the act exploits a power asymmetry that induces the weaker party to do something that she does not want to do. The difference may be a matter of degree, or it may be qualitative. After all, the worker might prefer to stay home, so the offer of a salary induces the worker to do “something she would prefer not to do.” Grant’s reasoning is about qualitative difference, however. The worker wants to work, in the sense that she is willing to sit at a sewing machine, or station on a production line, because she reasonably expects to be paid. That exchange is likely to be ethical, and it is certainly voluntary. But what if the boss extracts additional humiliating or distasteful conditions on employment, such as provision of sexual favors or the routine wearing of revealing clothing, or wearing nothing at all. As Grant puts it,

The ethical question arises only because people are being asked to do something they are reluctant to do for some reason. Otherwise, there would be no need for a large incentive. One relevant factor in assessing the incentive, then, is what that reason might be. (Grant, 2012; 65)

This seems like a point in the favor of Friedman’s critics. There may not be a purely positive justification for transactions, even formally voluntary transactions, where incentives are used to induce a person to do something she doesn’t want to do, if her reasons for not wanting to do that thing have moral or ethical force. Once again, in parallel with the conclusion reached by Carson (2013), the problem is not that Friedman is *wrong* in saying that markets are not immoral. Rather, the problem is the claim, which Friedman seems to make repeatedly—though often *en passant*—that it is self-evidently true that markets *are* morally acceptable, provided that the agreements in the markets are “bi-laterally voluntary and informed.” All that these conditions guarantee is that the exchange relations are not coercive. Whether they are morally permissible would require considerably more argument to settle, on Grant’s account.

Three Pillars of Friedman's Position

Friedman's case for the morality of markets appears to rest on three pillars, though I'm not sure that it is fair to say that these pillars are exhaustive and mutually exclusive, like a list of necessary and sufficient conditions in a proof. But it is fair to say that these are claims that Friedman explicitly makes, though perhaps at different times and for different reasons.

The first is *positivism*. That is, the justification for markets is purely positive, and makes no moral claims in the first place, except the Pareto criterion, which is pretty weak. I think that this claim is false on its face, because in fact Friedman makes a claim that initiation of force is illegitimate when he says the coercion will not be allowed. Given the existing distribution of wealth and power, then only "bi-laterally voluntary and informed" exchanges will be treated as enforceable by the police and courts. Anything else will not be enforceable (coerced and fraudulent contracts are not valid), and parties cannot be expected to comply with such contracts. Further, damages (if a tort) or crimes (if a statutory offense) are justiciable.

But for some reason opponents want to insist that "free market" and "utter lawlessness" are synonyms.

In spite of lots of talk about unrestrained markets, there is not a single economist who would endorse a literally free exchange. *Even Milton Friedman wants to be sure that activities such as murder, physical intimidation, and fraud are excluded from the market arena.* The reason? Without such boundaries around the market, no one would have any confidence that what transpires within the market is just. Finn (1997; 414; emphasis added)

Well, yes. That's right. The point is that markets work best in a systems of enforceable property rights and predictable enforcement. For some reason, critics make this observation and then just drop the mic, thinking they have delivered a devastating blow. Of *course* coercion and fraud are problems. The question is how best to deal with them. And that, as Friedman would argue, is an empirical question, not an inherently moral one.

Finn later gives a more interesting and, I think, effective criticism.

Although he counts on broad societal agreement about the immorality of murder, rape, and other crimes of physical force, Friedman tends to view moral disagreements on economic issues as fundamental differences about which there can be no rational argumentation and in the midst of which one should not hope for rational progress. Within this view, the moral convictions relative to economic life are akin to preferences for chocolate or vanilla ice cream. As he phrases it, “men can ultimately only fight” about fundamental differences in basic values. (Finn, 2006; 13)

It is odd to claim that there is a societal consensus, and that that consensus has moral force, on some issues (crime, theft, rape, fraud), but that on other issues (redistribution, a welfare state, public education) people are divided, the division is based more on something like tastes or basic values rather than reasons, and there is no use even trying to reach a consensus. Wouldn't it be true, as Buchanan would claim, that if a consensus were reached it could be implemented in institutions? Might it not be true, as political philosophers claim, that moral positions can be based on reason, and can be changed through public deliberation, and that the result have moral force?

I suspect Friedman would have two responses. First, he made the claim that “men can ultimately only fight” in 1953, in an essay whose purpose was to explain the role of positive economics. He did not claim that economics could *only* be positive; rather, he was claiming that it needn't be entirely normative. So while critics are attacking the position that economics is all, and only, positive, Friedman would claim that economics is not all, and only, normative. It is possible to make *some* positive statements, and those statements are useful even in situations where arguments over values are so heated that they would devolve into fights. Friedman didn't say ethical claims are irrelevant to policy questions, but rather he said that ethical claims are not something economists are very good at sorting out.

Second, the real issue in this dispute, even though it involves a dispute over normative principles, is still empirical. It is an empirical fact that there is an overwhelming consensus against force, fraud, and theft; there is no group arguing that such “rights” to steal or murder must be protected.²³ Further, there is no positive economic argument that would demonstrate that protecting citizens from force, fraud, and theft would be prohibitively expensive; quite the contrary, in fact, since these protections would help markets function more efficiently. There is no analogous consensus on social policies, perhaps because the moral views we publicly express are tainted by the material positions we privately occupy. I am unlikely to argue that murder should be legal on the chance that I might want to commit murder, but I am perfectly likely to advocate for redistributive policies if I am poor, or against redistributive policies if I am rich.

Second pillar, *means vs. ends*. People might have ultimate goals that are quite similar, but disagree about which ends are most likely to achieve those goals. For example, we might all agree that prison overcrowding is a problem, but disagree about which are the best policies to solve that problem. The difficulty is that choices about policies tend to be strongly tied to ethical beliefs. So, people on the right might advocate for means that make punishments harsher, as a deterrent, and make prisons less comfortable. People on the left might advocate for means that increase educational opportunities for the poor before the person turns to a life of crime, and then

²³ That’s not quite true. In Worcester, England a man named Bill Malcolm had a garden plot with vegetables and a small shed. It was broken into three times in four months in 2008, and he became frustrated. The police were not only unhelpful, but aggressively indifferent, suggesting that he should perhaps get a better lock for the shed or else not store tools, or grow vegetables that people wanted to eat. So, Bill erected some short poles topped by a single strand of barbed wire to keep people away from the shed. At this point, the police immediately intervened, ordering him to remove the wire. The problem was clear: the burglars might get hurt. BBC (2008). And to be fair nearly the same argument, though arguing in that case the merits of the rights to steal, can be found in the “Melian Dialogue” of Thucydides (Strassler, 1996, pp. 351-357).

provide educational opportunities in prison to reduce recidivism. Empirically, a limited budget could be spent on some mix of these policies in a way that would deliver the largest marginal reduction in prison population. None of the policies are obviously “wrong,” in the sense that they have no effect, of course. But some policies are likely to work better than others, in particular times and with particular populations.

One objection to this division of means and ends might be that it is too neat. The material effects of policies serve both practical and ethical goals. For prison overcrowding, increased spending on public schooling as a “remedy” also has redistributive components. A choice to rent prison space in a different state, 400 miles away, would serve the material purpose of reducing overcrowding in our state’s prisons. But should we not take account of how the increased costs of travelling to visit relatives or loved ones in prison affect the prisoner and the relatives, particularly when these visitors are among the poorest and least advantaged members of society? The family hasn’t committed any crime; why are they being punished? In short, the problem is that policies have both material consequences in addressing the immediate goal(s), and redistributive or distributive consequences where implicit benefits and taxes are re-divided.

Friedman’s reply might be that, even if there is no “fact of the matter” that decisively resolves the dispute, accurate empirical information is still useful. In the dispute over minimum wages, for example, one objection is that an unintended consequence of minimum wages is increased unemployment among the economically marginal. Other analysts have questioned that claim. The result has been an investigation of empirical questions, such as the extent of job loss and the potential increase in prices at retail stores and restaurants, which acts as an implicit but highly regressive tax on the poor. The answers to these empirical questions may not be entirely dispositive for reaching a conclusion about minimum wages, but neither are they irrelevant. The

actual effects of real minimum wage laws is relevant to the question of whether we should support or oppose them.

The danger is that people choose policies entirely for ideological reasons, because those are the sorts of policies that “my” group favors because that is what an ideal state should look like. The reasons given for favoring the policy may have to do with helping someone else (minimum wages for the poor, character education for the children’s moral growth), but one important reason I favor “correct” policies is that I want to feel good about myself. This is one of Friedman’s core claims, and he is surely right. One of the reasons that people, particularly but not only on the left, have been so critical of Friedman is that he exposed the empirical fallacies on which their ideological galimatias are founded. If the policy is expensive, and it harms rather than helps the target group, it’s a bad policy, no matter how good it makes you feel to support it.

The third pillar is *freedom*. Freedom is partly an end in itself, because no one else knows enough to have the right to coerce you. And freedom is partly the means by which society improves itself, because freedom allows people to do what they naturally do, which is to organize themselves for mutual benefit. Friedman had originally argued (Friedman1962) that there were two “kinds” of freedom, economic and political. And he had claimed that one could have economic freedom without political freedom (e.g., Singapore or, until recently, Hong Kong), but that political freedom without economic freedom was impossible. In this Friedman echoed the claim made by Hayek (1944).

Later, Friedman seems to have changed his mind. In a lengthy interview with Gary Becker (Friedman, 2003; 46:15), Friedman amends the claim to say that there are *three* “kinds” of freedom: Civic, economic, and political. By “civic” freedom he meant freedom of the press, assembly, and airing of public grievances. By “economic” freedom he meant rights to own,

control, and sell property, including one's own labor, and to have wealth protected from theft or confiscation. By "political" freedom he meant both formal and material participation of the citizens in selecting and replacing leaders. He speculated that economic and civic freedom together make political freedom inevitable, because once a nation reaches a certain level of material progress, and if the press is able to give attention to social movements and protests, the urge for self-governance is irresistible. Either economic or civic freedoms must be abrogated, or political freedom must be granted. That seems like a hopeful result for those who favor freedom.

The difficulty is that a society with all three freedoms may not be stable, either. Toward the end of his life Friedman could easily have taken satisfaction from the way that many debates and policy questions—including the role of central banks in conducting monetary, the military draft in the U.S., and other matters—had been transformed, and in the direction that he advocated, during his lifetime. Instead, he wondered why so little progress had been made. In a democracy, empirical evidence counts for little, because citizens have only limited incentives to become informed about policy consequences. So, while it is true historically that nations that progress economically usually become democracies, it is also true that nations that "progress" democratically usually become welfare states where the status of private property becomes more tenuous.²⁴ The temptation to use political power to achieve economic redistribution becomes irresistible.²⁵ It may be that liberty is self-limiting, placing a barrier in the way of achieving constant progress toward a freer society.

²⁴ Importantly, this result may not even be consistent with either the individual (Brennan and Lomasky, 1993) or collective (Caplan, 2007) goals. To paraphrase Mae West, "Rationality's got nothing to do with it."

²⁵ See, for example, Meltzer and Richard (1981).

Final Words

There is a question-trope common among friends of economic liberty: “Why is there no Milton Friedman today?” Sometimes, the question is a little more hopefully stated: “Who is the Milton Friedman of today?” Yet a third version was answered by a number of leading economists at the request of Daniel Klein in *Econ Journal Watch* (Klein, 2013): “Suppose Milton Friedman were born during the 1960s or 1970s. Could one imagine that person emerging as a Milton Friedman as we understand the concept?” (p. 159).

In the symposium, a variety of answers were offered, ranging from “He’s dead, and soon forgotten” (Jamie Galbraith) to “He was unique, and we shall not see his like again” (David Henderson). One answer (Tyler Cowen) is that we do have a Milton Friedman, and it’s Paul Krugman.

I see Tyler’s point, and in fact Krugman does wield enormous influence and argues effectively for the positions he favors. Furthermore, Krugman has won a Nobel Prize, and has a forum (the *New York Times*) which, while less read than Newsweek at its height, does offer considerable access to public attention.

Still, I think that the comparison fails. Krugman is no Friedman. Krugman has used his (justifiably considerable) prestige as an economist to argue for a set of political positions, and in fact argues for a select set of politicians as a soldier in an ideological, political battle, and has been effective in that role. Still, while Krugman has become a public intellectual, it is difficult to imagine anyone reading his columns a decade from now and finding any insight.

Friedman, on the other hand, did make an effort to combine the roles of empirical, positive economist with liberal philosopher. In this paper I have examined some of the

foundations, and shortcomings, of Friedman as a liberal philosopher. But taken as a whole, Friedman comes off pretty well, judged on the coherence and force of the arguments he marshals in favor of his philosophy of freedom. I can easily imagine his ideas continuing to have an impact for decades, precisely because he was arguing for principles rather than politics.

Milton Friedman wrote in a tradition of conservative / liberal philosophy. The best of these, like Burke and Churchill, thought deeply about the relations between the obligations and rights of citizens and their place in society. In closing, it is meet to quote Churchill, foreshadowing the arguments that Friedman was to make so persuasively. We would do well to remember them.

Liberalism has its own history and its own tradition. Socialism has its own formulas and its own aims. Socialism seeks to pull down wealth; Liberalism seeks to raise up poverty. Socialism would destroy private interests; Liberalism would preserve private interests in the only way in which they can be safely and justly preserved, namely, by reconciling them with public right. Socialism would kill enterprise; Liberalism would rescue enterprise from the trammels of privilege and preference. Socialism assails the pre-eminence of the individual; Liberalism seeks, and shall seek more in the future, to build up a minimum standard for the mass. Socialism exalts the rule; Liberalism exalts the man. Socialism attacks capital; Liberalism attacks monopoly. Don't think that Liberalism is a faith that is played out; that it is a philosophy to which there is no expanding future. As long as the world rolls round Liberalism will have its part to play - a grand, beneficent, and ameliorating part to play - in relation to men and States. (Churchill, 1908).

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