

Chapter 7

Capitalism and Freedom

In 1962, Milton Friedman burst forth from the academy into the public square with *Capitalism and Freedom*, subsequently ranked number 16 on *Time* Magazine's list of the most influential books written in English in the years 1923–2011.²⁵ More than half a century later, it remains in print in over a dozen languages and ranks near the very top of Amazon's list of bestsellers in economic theory.

The book's central thesis is that economic freedom is a prerequisite for personal and political freedom. Here *economic freedom* refers to a system of free markets and private ownership that operates with limited interference from the government. *Political and personal freedom* encompasses free elections, minority representation, freedom of expression, and the option to choose an unorthodox lifestyle. If you want that kind of freedom, you must also have free markets. Writing in 1962, Friedman said he knew of no example, in any time or in any place, of a society that had offered substantial political freedom without also offering substantial economic freedom.

In the intervening half-century, no example has arisen. The Fraser Institute compiles meticulous rankings of personal and economic freedom in 159 countries, using 79 distinct indicators within each country; the methods are spelled out in detail on the Institute's website. Of the 20 countries that rank highest in personal freedom, all but one are also in the top 25 percent for economic freedom, and even the one exception (Iceland) is still comfortably above the median.

²⁵ The seemingly arbitrary date range is because *Time* Magazine was founded in 1923 and the list was compiled in 2011.

Alas, this works in only one direction. Friedman observed, and the Fraser Institute data confirm, that economic freedom is no *guarantee* of personal freedom. The United Arab Emirates is the 9th most economically free country in the world, but ranks a bleak 149th out of 159 in personal freedom. Seven other countries in the economically free top-20 fail to make the top 25 percent for personal freedom.

Although such data are suggestive, Friedman was quick to point out that they don't actually prove anything about what might be possible in the future. So the next step is to understand *why* and *how* political freedom is always and everywhere undermined by socialism.²⁶

So take an example: A big part of both political and personal freedom is the right to oppose your government's policies. To do that effectively, you might want to hold rallies, or film documentaries, or publish books, or advertise your blog. For that, you need resources. Where will you get them?

In a capitalist society, you can turn to anyone who's willing to fund you. You can appeal to the grass roots, but that in turn might require some funds to get you started. It might be more effective to approach a wealthy donor—and if you're turned away, you can approach another. You don't even need a wealthy donor who believes in your cause; you only need one who believes there's money to be made by selling your books and videos or by promoting your website. You might not succeed, but you've got a lot of options. And indeed, capitalist societies, including the United States, have always been rife with anti-capitalist propaganda financed by wealthy capitalists.

Of course, even after you've raised funds, you might have trouble booking airtime on a broadcast or cable network, because the owners might be hostile to your cause. But you have at least two recourses still available. One is to approach a different network. Another is to offer a higher price.

Under socialism, you've got a much bigger problem. If the government owns the meeting halls, the recording studios, and the Internet providers, or if it heavily regulates their owners, then you've got to approach the government—and if they turn you away, there's no place else to turn.

²⁶ Following Friedman, I will use the words *capitalism* and *socialism* to mean the presence and the absence of economic freedom. Socialism can include government ownership of productive resources or government control over the decisions made by private owners.

This is a problem *even if* your government is run by idealists who are dedicated to the principle that everyone has a right to be heard. The problem with that principle is that it's not clear what "everyone" means. Resources are limited, the demand for those resources is effectively unlimited, and that means someone has to get turned away. As long as one entity controls all the resources, those who are turned away are left with no alternatives. Capitalism doesn't guarantee you an audience, but it does give you an unlimited number of opportunities to try.

It remains the case that if there are 20 meeting halls and 30 groups that want to hold a rally, 20 will succeed and 10 will fail. But under socialism, the 20 who succeed have all succeeded by appealing to the same group of officials, while under capitalism the 20 who succeed will do so by appealing to a highly diverse group of donors and entrepreneurs—so a wider diversity of opinions will be heard. And as a bonus, under capitalism, there's a strong incentive for someone to build a 21st meeting hall.

Lest you think this is all abstract theorizing, consider the case of Winston Churchill, who spent most of the 1930s trying desperately to convince the British public to take a firm stand against Adolf Hitler and the remilitarization of Germany. Although Churchill was a leading citizen, a current member of parliament and a past cabinet minister, the radio and television networks—all owned by the British government—ruled that his views were too far out of the mainstream and refused to sell him airtime.

Had there been private broadcast networks, free to sell airtime as they pleased, Churchill would surely have reached a far larger audience. Might he have thereby changed public opinion and the course of history? Of course we can't know. But we do know that socialism denied him the freedom even to *try*.

The reason capitalist societies have a chance of achieving political freedom is that in capitalist societies, economic power is *dispersed*. There's always someone else to appeal to.

We've been talking about political speech, but the same lesson applies more broadly. Do you want to seek an audience for your unorthodox views on childrearing, or the ethical treatment of animals, or the reconciliation of science with religion? Freedom of speech requires capitalism because speech often requires either airtime or a recording studio or a meeting hall or a web

presence. If I won't provide those because I don't like your views, you can shop elsewhere (or perhaps make me an offer that tempts me to shelve my principles). But if one entity controls all the networks, recording studios, meeting halls, and hosting services, and if that organization disapproves of your message, you're out of luck.

Freedom of occupational choice also requires capitalism because an occupation often requires an employer. If I won't hire you because I don't like your lifestyle or your ethnicity, you can offer to work for someone else. But if one entity controls all the hiring, and disapproves of your lifestyle or your ethnicity, you're out of luck. The freedom to eat at a restaurant requires capitalism because somebody has to serve you. If I won't serve you, you can find someone else who will. But if one entity controls all the restaurants, and if that entity decides you won't be served, then you won't be served.

Lest you think this is all abstract theorizing, consider the history of the American south in the hundred years following the Civil War, where the so-called "Jim Crow" laws made it difficult and often impossible for black citizens to find jobs, to be served in restaurants, to ride buses, and to start businesses. Why were these regulations thought necessary? Because it was widely recognized that in their absence, black customers and black workers who were turned away at one location would find themselves welcomed at another. In order to deny black Americans their personal and political freedoms, politicians needed to constrain the operation of the free market.

Indeed, Friedman makes the point that capitalism is particularly hostile territory for racial, religious and political discrimination precisely because it disperses economic activity so widely that you usually know absolutely nothing about the race, religion, or politics of the people you're trading with. When you buy a car in a capitalist country, you have no idea whether the wheels were attached by a Republican, a communist, a pagan, a Hindu, a lesbian, a polyamorist, or a person with skin that's lighter or darker than yours. That makes it essentially impossible for customers to discriminate against any of those groups. By contrast, if the car companies were all controlled by the government, it would be much easier for a group of bigoted customers to lobby for discriminatory hiring practices.

Most economic activity requires coordinating the activity of vast numbers of people. New Yorkers have bread on their tables thanks to the coordinated activity of farmers, bakers, truckers, the producers of fertilizers, pesticides, and tractors, the mechanics who maintain the tractors and the delivery trucks, and literally thousands of others. There are only two ways to organize that activity: Through the anonymous market place, where individuals respond to price signals (so that an increase in the demand for bread leads ultimately to an increase in demand for tractor maintenance, leading mechanics to voluntarily work overtime), or through top-down direction—in other words, coercion. In the latter case, we are all subject to the whims and the prejudices of the directors. That leaves the market as the only economic system conducive to freedom.

Beyond all this, there's a separate avenue by which capitalism fosters personal freedom: It makes people richer, and the richer you are, the more freedom you can afford. Does your offbeat religion require you to make a pilgrimage to San Francisco once a year? Do your idiosyncratic sexual tastes require you to travel in search of a compatible mate? Does your love of nature compel you to take four weeks off every summer and travel to exotic locales? Those things are part of your personal freedom. They're also expensive. In general, the richer you are, the freer you are.

Of course it remains to be proven that the vast majority of people are richer under capitalism than under socialism. To make that case in detail here would take us far afield, but I hope it will suffice to note that virtually all economists agree on this, and that their agreement is based on a confluence of evidence from a great many sources. One example: It's easy to find towns on both sides of the US/Mexico border that are nearly identical in climate, population, and natural resources—but the towns on the US side are systematically much richer for reasons that can easily be traced to policies that are more socialistic south of the border and more capitalistic to the north. And of course the Americans in those towns, having the resources to travel more widely, shop more widely, and take longer vacations, are in several very important senses freer than their Mexican counterparts. The past several decades have also provided some more dramatic examples, such as East versus West Germany and North versus South Korea.

This, then, is the main message of *Capitalism and Freedom*: Capitalism is not guaranteed to make you free, but for multiple reasons, the absence of capitalism is guaranteed to make you unfree. The next step is to translate this generality into specific policy proposals, which is where Friedman turned next—and so shall we.