

Owen Howard

October 1, 2021

HON 201 AQ

Capitalism and Freedom or Capitalism and Coercion?

Milton Friedman was born in the early 20th century to working class, immigrant parents in New York. Despite his roots, he would go on to become a Nobel Prize winning economist, advocating for an economic system that would doom the working class. In his 1962 text, *Capitalism and Freedom*, Friedman identifies himself as a classical liberal, promoting competitive capitalism which organizes “the bulk of economic activity through private enterprise in a free market” (4). This economic system, Friedman argues, is necessary to maintain individual freedom, as economics and politics are interwoven; economic freedom is essential to political freedom, Friedman says. Furthermore, the abilities of the government should be limited, as not to infringe on the voluntary transactions between individuals. Power should not be centralized, but instead dispersed on the state or county level. Ultimately, to Friedman, individual freedom is the most important attribute to life and must be protected.

Capitalism and Freedom is largely composed of criticisms of economic, legal, social, and political policies. Friedman provides lists of welfare programs that should be cut, like social security and public housing, and offers the alternatives that would exist instead of government-facilitated action. For example, in terms of public housing, Friedman argues that if funds are used to help the poor, they should be given in cash as it gives families more options in purchase ability and provides positive neighborhood effects by engaging with the local

economy. Friedman also promotes the abolition of certain taxes and legal practices, particularly inheritance tax and licensing, respectively.

In terms of inheritance tax, Friedman explains that there, in fact, is no objective difference between acquired and inherited wealth. Rather, inheriting wealth is a valid means of acquisition. He cites several common and socially accepted scenarios in which parents utilize their own funds to set their children up for success. He argues, "He can use a given sum of money to finance his child's training as, say, a certified public accountant, or to set him up in business, or to set up a trust fund yielding him a property income" (164). Simply put, he finds the difference between these forms of financing one's child and inheritance to be subjective. Therefore, he argues, the State has no right to infringe on this transaction through the use of taxation, as taxation would not be utilized in any other form of transferring wealth.

Friedman also finds the legal requirement of occupational licensure problematic to individual freedom. In Chapter IX, he provides an in-depth analysis of the licensing process, how it works and why it should be abolished. The government can enact three levels of control: registration, certification, and licensing, Friedman explains. The first level, registration, includes charging a prospective practitioner with a fee. Friedman secondly discusses certification, an "intermediate" stage, where individuals are not prevented from practice, but prevented from using certain titles. Friedman provides the example of the accountant: an accountant may still practice with or without a certificate, but cannot call themselves a CPA. It is the third stage in which he finds the most trouble, licensing, as failure to obtain licensing in certain occupations can result in severe fines or jail time. According to Friedman, licensing is a method of controlling the number of individuals permitted within a field, citing the American Medical Association and

medical schools as primary examples. Friedman argues this is done in two ways. He writes, “The obvious one is simply by turning down many applicants. The less obvious, but probably far more important one, is by establishing standards for admission and licensure that make entry so difficult as to discourage young people from ever trying to get admission” (151). He makes his point clear, both the culture and system surrounding licensing are problematic. He argues that the public is capable of finding competent individuals to purchase services from, regardless of licensing status. In his opinion, the public already possesses methods of ensuring quality work, through private certification organizations (like the *Good Housekeeping* seal) or simply through recommendations by family or friends.

It is clear to me that Friedman provides very thorough analyses of topics he is passionate about through a capitalist lens. His critique of the licensing system is compelling, particularly because it speaks to systemic problems of gatekeeping that a wide range of political thinkers can acknowledge. My particular issues with Friedman’s analyses are at a fundamental, philosophical level.

First of all, I find Friedman’s understandings of “voluntary” cooperation and exchange to be troubling. Although he argues otherwise, exchange and labor under a capitalist system *is* inherently coercive. Friedman understands that when freedom infringes on the life or safety of another human, their freedom must be curbed via government regulation. He writes, “Men’s freedoms can conflict, and when they do, one man’s freedom must be limited to preserve another’s—as a Supreme Court Justice once put it, ‘My freedom to move my fist must be limited by the proximity of your chin’” (26). I must ask then, how does this *not* apply exchange? When one must toil away at a minimum wage job in order not to starve or to freeze, how is this

exchange of labor for wage not coercive in nature? Friedman argues that the laborer or the consumer is free to work or buy elsewhere, respectively. However, this simply is not feasible for most wage laborers. The time it takes to get hired elsewhere and distance from home to work are just two factors that workers must weigh in before they can find new work.

Later in the text, Friedman utilizes the analogy of a lottery system to describe inequality under capitalism. This analogy simply does not work, as it operates on two blatantly false principles. Friedman argues that individuals under capitalism enter the system *initially equal* and *voluntarily*, neither of which are true. The notion that Americans are born on equal footing is outlandish, when we consider this country's history, both on this land and abroad. When did Indigenous or Black Americans (particularly those descended from enslaved Africans) ever agree to be part of the United States' empire? For those individuals that did choose assimilation, when were they ever given equal opportunity or conditions to make a life for themselves? Immigrants who come here often do so because the United States has bombed their land, poisoned their crops, or funded fascist militias in their home country. Is that not an example of coercion?

Ultimately, I believe that Milton Friedman was ignorant to several difficult truths. We cannot sever the United States from its imperialist history and its neocolonialist present. We cannot pretend that capitalism will provide a life without coercion when it necessitates forced labor and the violent suppression of socialism. Perhaps the most difficult truth is that humans are not completely objective, amoral, and uncompassionate creatures; perhaps our socioeconomic system should reflect that.