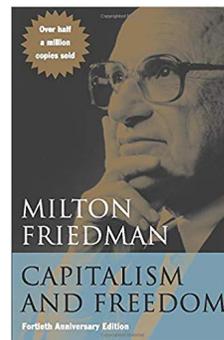


#EconlibReads

Questions for Thought and Discussion to accompany Milton Friedman's *Capitalism and Freedom*.

Chapter 1: The Relation Between Economic Freedom and Political Freedom

1. We started BIG. Consider this question as live throughout our reading.
 - a. How can government be BOTH necessary to preserving our freedom AND a threat to our freedom?
 - b. "How can we benefit from the promise of government while avoiding the threat to freedom?" (page 2)
2. Let us take one of Friedman's own questions...How could the freedom to advocate capitalism be preserved and protected in a socialist society? (p. 16)
3. What are the two sets of values Friedman suggests all liberals emphasize? (pp. 12-13) To what extent do you think these sets of values are universal?
4. WHY does he believe that, "a society which is socialist cannot be democratic, in the sense of guaranteeing individual freedom?" (page 8)
5. How is the market "a system of proportional representation?" (page 15)
6. Why is economic power easier to decentralize than political power, according to Friedman? To what extent does his reasoning convince you?



Chapter 2: The Role of Government in a Free Society

7. What does Friedman mean when he says on page 22, "If the end does not justify the means, what does?" How does this apply to the role of government in a free society?
8. What *are* the basic roles of government in a free society, according to Friedman? Does he miss any? How clearly defined are the roles he *does* lay out?
9. What are the various kinds of monopolies Friedman describes? Why does he say, "...private monopolies may be the least of the evils?" (page 28)

10. On page 31, Friedman writes, "...neighborhood effects may justify a city park; they do not justify a national park..." What's the difference between the two for him, and why do neighborhood effects justify one but not the other?

Chapter 3: The Control of Money

11. Friedman opens this chapter with the statement, "Full employment' and 'economic growth' have in the past few decades become primary excuses for widening the extent of government intervention in economic affairs."
12. Friedman says, "The need for the dispersal of power raises an especially difficult problem in the field of money." (page 38) What does he mean?
13. Friedman famously claims that the Great Depression "was produced by government mismanagement rather than by any inherent instability of the private economy." (page 38) What are the reasons he provides to support this claim?
14. What does Friedman mean when he says on page 48, "... the System's failure was a failure of will, not of power."
15. What are the advantages of a (true) gold standard, according to Friedman? Why doesn't he ultimately advocate for a gold standard?
16. Why does Friedman advocate a rule-based monetary system? Which particular rule does *he* suggest, and how effective do you think such a rule could be?

Chapter 4: International Financial and Trade Agreements

17. What's the real problem with the balance of payment 'problem,' according to Friedman?
18. Why does Friedman want us to make a careful distinction between two problems- the balance of payments, and the danger of a run on gold? (page 60)
19. Starting on page 62, Friedman lays out several alternatives to achieving balance in foreign payments. What are these, and which do you think are most likely to be effective? Why?
20. To what extent is the following statement from page 66 an accurate description of today's political climate? Explain. "We preach publicly the virtues of free trade; yet we have been forced by the inexorable pressure of the balance of payments to move in the opposite direction and there is great danger that we shall move still farther."

21. What does Friedman mean when he says, "Being in favor of floating exchange rates does not mean being in favor of unstable exchange rates." (page 69)
22. Friedman offers a series of proposals to free the market in gold and foreign exchange (pp 69-70). Has progress been made on any of these fronts? How does the situation compare today to when Friedman wrote?
23. Why does Friedman argue *against* the reciprocal negotiation of tariff reductions?

Chapter 5: Fiscal Policy

24. What does Friedman mean when he says we're prone to thinking of government expenditures like a "balance wheel," and what's *wrong* with thinking this way?
25. Friedman suggests that a rule may be in order to control fiscal policy, like monetary policy. What does he suggest, and to what extent might such a rule be efficacious?
26. What is the Keynesian multiplier? Why doesn't it work the way it ought, according to Friedman?

Chapter 6: The Role of Government in Education

27. What's the difference between education and schooling? Why does this distinction matter, especially when considering the role of government in education?
28. What is the purpose of [education](#) for Friedman?
29. To what extent does public education require a "common core of values" to be effective? What does this core of values include? How effective are public schools today at inculcating such values?
30. Why is Friedman opposed to public funding of vocational education, which we see an increasing call for today? To what extent do you agree with him?
31. What does Friedman mean when he says, "Our present school system, far from equalizing opportunity, very likely does the opposite." (pp. 92-3) Again, to what extent do you agree with Friedman?
32. What does Friedman mean when he says (pg. 100), "The subsidization of institutions rather than of people has led to an indiscriminate subsidization of all activities appropriate for the state to subsidize. "What's the difference between the two kinds of subsidizing?"

33. Describe Friedman's scheme for investing in college students' future earnings. Would *you* accept this deal? To what extent would it mitigate inequality as Friedman suggests?
34. Defend or critique the following statement: "If it is appropriate for the state to say that individuals may not discriminate in employment because of color or race or religion, then it is equally appropriate for the state, provided a majority can be found to vote that way, to say that individuals must discriminate in employment on the basis of color or race or religion." (page 113)

Chapter 7: Capitalism and Discrimination

35. Friedman starts Chapter 7 with a bold claim. Of minority groups he says, "They have tended to attribute to capitalism the residual restrictions they experience rather than to recognize that the free market has been the major factor enabling these restrictions to be as small as they are." What does he mean by this, and to what extent do you think he's correct?
36. Friedman clearly lays out his own feelings on discrimination and the appropriate response to it on the top of page 111. How did you react to this statement? Is this the right response to discrimination? Explain.

Chapter 8: Monopoly and the Social Responsibility of Business and Labor

37. Friedman identifies two classes of problems monopolies cause for a free society. (pg. 120) What are these two classes, and of the two which do you believe the more pernicious, and why?
38. Should labor unions be subject to [antitrust](#) laws like enterprise [monopolies](#)? Why or why not?
39. Why are patents and copyrights "in a different economic class from the other governmentally supported monopolies," according to Friedman? (pg. 127) Is he right???
40. Let's again take one of Friedman's own questions (pg. 133). "If businessmen do have a social responsibility other than making maximum profits for stockholders, how are they to know what it is?"
41. Why did Friedman argue that the corporate [tax](#) should be abolished? Would this proposal be more or less likely to be accepted today? Would it be more or less effective today? Explain.

Chapter 9: Occupational Licensure

42. Friedman tells us on page 143 that producer groups tend to be more concentrated politically than consumer groups. Why is this such a significant factor in the case of occupational licensure?
43. Friedman is relatively sanguine about the use of registration (rather than licensing) to protect consumers against fraud- even in the case of taxi medallions. (p. 146) What would Friedman say about the rise of [Uber](#), [Lyft](#), and other such services?
44. Friedman says on page 149, "...certification without licensure is a half-way house that maintains a good deal of protection against monopolization." What does he mean by this? What are some examples of industries that can or should use this method as opposed to licensure?
45. Friedman writes of an important distinction in this and other chapters- that between technical and economic efficiency. (p. 153) What's the difference? Why is this distinction important, particularly in the case of the practice of medicine?

Chapter 10: The Distribution of Income

46. Friedman starts Chapter 10 (p. 161) with the following question: "What is the justification for state intervention to promote equality?" How would *you* answer this question?
47. What does Friedman mean when he says (p. 162), "Payment in accordance with product may be necessary to achieve true equality of treatment." To what extent does his text convince you this is true?
48. On page 168, Friedman lays out some of the *benefits* of the income inequality that arise from capitalism. To what extent do you agree that these should be characterized as positive? What are some of the "costs" of capitalism, and do they outweigh these benefits?

Chapter 11: Social Welfare Measures

49. What are the arguments Friedman puts forth against public housing? To what extent do his claims convince you?
50. In discussing minimum wages on page 181, Friedman says, "This case is in one respect very much like public housing. In both, the people who are helped are visible..." What does he mean by this? How does this suggest we should think about other social programs? What other examples can you come up with to illustrate this point?

Chapter 12: The Alleviation of Poverty

51. What does Friedman see as the benefits of his negative income tax proposal? How much does this have in common with proposals for a Universal Basic Income today?

52. What does Friedman mean when he writes on page 195, "The liberal will therefore distinguish between equality of rights and equality of opportunity, on the one hand, and material equality or equality of outcome on the other"?

Conclusion

53. Friedman starts the conclusion with the following claim: "In the 1920's and 1930's, intellectuals in the United States were overwhelmingly persuaded that capitalism was a defective system inhibiting economic well-being and thereby freedom, and that the future lay in a greater measure of deliberate control by political authorities over economic affairs."
54. What does Friedman mean when he says (quoting Dicey) on page 201, "state help kills self-help?"
55. How does Friedman's assessment of America's political climate in the early 1960's compare to today?

Challenge Activity:

Read Friedman's provocative (and long!) question about Social Security on page 184. (last sentence of first complete paragraph) Can you compose a similar question to describe the other social welfare programs discussed in this chapter? Would people be able to 'guess' which one you refer to? Can you write a similar question for other programs NOT discussed in this chapter?