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Elegant Tombstones:

A Note on Friedman's Freedom

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Academic political scientists who want their students to think about the problem of liberty in the modern state are properly anxious to have them confront at first hand various contemporary theoretical positions on the relation between freedom and capitalism. The range of positions is wide: at one extreme freedom is held to be incompatible with capitalism; at the other freedom is held to be impossible except in a capitalist society; in between, all sorts of necessary or possible relations are asserted. Different concepts of freedom are involved in some of these positions, similar concepts in others; and different models of capitalism (and of socialism) are sometimes being used. It is clearly important to sort them out. But there is some difficulty in finding adequate theoretical expositions of the second extreme position, which might be called the pure market theory of liberalism. There are very few of them. Probably the most effective, and the one most often cast in this role, is Milton Friedman's *Capitalism and Freedom* (Chicago, 1962), which is now apt to be treated by political scientists as the classic defence of free-market liberalism. As such it deserves more notice from the political theorists' standpoint than it got on publication, when its technical arguments about the possibility of returning to laissez-faire attracted most attention. Whether or not *Capitalism and Freedom* is now properly treated as the classic defence of the pure market theory of liberalism, it is at least a classic example of the difficulty of moving from the level of controversy about laissez-faire to the level of fundamental concepts of freedom and the market.

The first thing that strikes the political scientist about *Capitalism and Freedom* is the uncanny resemblance between Friedman's approach and Herbert Spencer's. Eighty years ago Spencer opened his *The Man versus the State* by drawing attention to a reversal which he believed had taken place recently in the meaning of liberalism: it had, he said, originally meant individual market freedom as opposed to state coercion, but it had come to mean more state coercion in the supposed interest of individual welfare. Spencer assigned a reason: earlier liberalism had in fact abolished grievances or mitigated evils suffered by the many, and so had contributed to their welfare; the welfare of the many then easily came to be taken by liberals not as a by-product of the real end, the relaxation of restraints, but as the end itself. Spencer regretted this, without offering any evidence that market freedom ever was more basic, or more desired, than the maximization of wealth or of individual welfare. Professor Friedman does the same. *Capitalism and Freedom* opens by drawing attention to the same reversal of meaning, and rejecting it out of hand. "Freedom of the individual, or perhaps of the family" is for him the liberal's "ultimate goal in judging social arrangements" (p. 12). His case is that "a free private

enterprise exchange economy," or "competitive capitalism" (p. 13), is both a direct component of freedom, and a necessary though not a sufficient condition of political freedom, which he defines as "the absence of coercion of a man by his fellow men" (p. 15).

To maximize this freedom, he argues, governments should be allowed to handle only those matters "which cannot be handled through the market at all, or can be handled only at so great a cost that the use of political channels may be preferable" (p. 25). This would mean government moving out of almost all its welfare and regulatory functions. Controls on, or support of, any prices, wages, interest rates, rents, exports, imports, and amounts produced, would all have to go; so would present social security programs, housing subsidy programs, and the like. The functions properly left to governments because the market cannot perform them at all, or perform them well, are summarized:

A government which maintained law and order, defined property rights, served as a means whereby we could modify property rights and other rules of the economic game, adjudicated disputes about the interpretation of the rules, enforced contracts, promoted competition, provided a monetary framework, engaged in activities to counter technical monopolies and to overcome neighborhood effects widely regarded as sufficiently important to justify government intervention, and which supplemented private charity and the private family in protecting the irresponsible, whether madman or child—such a government would clearly have important functions to perform. The consistent liberal is not an anarchist (p. 34).

No one ever thought that *laissez-faire* was anarchism; Spencer would scarcely have objected to this list of allowable government functions. But what is this economic game which is supposed to maximize individual freedom? The argument is that competitive capitalism can resolve "the basic problem of social organization," which is "how to co-ordinate the economic activities of large numbers of people" (p. 12), by voluntary co-operation of individuals as opposed to central direction by state coercion.

In addition to arguing that competitive capitalism is a system of economic freedom and so an important component of freedom broadly understood, Professor Friedman argues that capitalism is a necessary condition of political freedom (and that socialism is incompatible with political freedom). And although he is more concerned with freedom than with equity, he does argue also that the capitalist principle of distribution of the whole product is not only preferable to a socialist principle but is in fact accepted by socialists.

This note deals with (I) an error which vitiates Friedman's demonstration that competitive capitalism co-ordinates men's economic activities without coercion; (II) the inadequacy of his arguments that capitalism is a necessary condition of political freedom and that socialism is inconsistent with political freedom; and (III) the fallacy of his case for the ethical adequacy of the capitalist principle of distribution.

I

Professor Friedman's demonstration that the capitalist market economy can co-ordinate economic activities without coercion rests on an elementary conceptual error. His argument runs as follows. He shows first that in a simple market model, where each individual or household controls resources enabling

En guise d'épitaphe : la liberté selon Milton Friedman

Les politologues n'ont pas porté suffisamment d'attention à l'affirmation de Milton Friedman selon laquelle la liberté politique dépend du capitalisme. Ils n'en ont pas identifié les faussetés ni les lacunes. Son affirmation, que le capitalisme de compétition coordonne l'activité économique de l'homme sans recours à la coercition, repose sur une simple erreur logique. Friedman prétend que le capitalisme est un prérequis à l'exercice de la liberté politique, sans réussir à montrer la relation historique ou nécessaire qu'il établit entre ces deux phénomènes ; il néglige leurs rapports réciproques. Il affirme, sans le démontrer, que le socialisme est incompatible avec la liberté politique, par suite de l'absence de certains marchés ; il en élude le problème central. La critique qu'il fait aux socialistes occidentaux de n'avoir pas défini les garanties institutionnelles de la liberté en régime socialiste manque donc son but : les socialistes occidentaux qui attachent du prix à la liberté politique devraient scruter de plus près et chercher à réaliser les conditions qui permettraient de l'instaurer. Le plaidoyer de Friedman en faveur de caractère « moral » des principes capitalistes est vicié par la fausse identité qu'il établit entre la rétribution propre au produit et celle qui est due au travail. Ce plaidoyer repose sur une mauvaise interprétation de Marx et ne s'explique que par une conception rétrograde du libéralisme.

it to produce goods and services either directly for itself or for exchange, there will be production for exchange because of the increased product made possible by specialization. But "since the household always has the alternative of producing directly for itself, it need not enter into any exchange unless it benefits from it. Hence no exchange will take place unless both parties do benefit from it. Co-operation is thereby achieved without coercion" (p. 13). So far, so good. It is indeed clear that in this simple exchange model, assuming rational maximizing behaviour by all hands, every exchange will benefit both parties, and hence that no coercion is involved in the decision to produce for exchange or in any act of exchange.

Professor Friedman then moves on to our actual complex economy, or rather to his own curious model of it:

"As in [the] simple model, so in the complex enterprise and money-exchange economy, co-operation is strictly individual and voluntary *provided*: (a) that enterprises are private, so that the ultimate contracting parties are individuals and (b) that individuals are effectively free to enter or not to enter into any particular exchange, so that every transaction is strictly voluntary" (p. 14).

One cannot take exception to proviso (a): it is clearly required in the model to produce a co-operation that is "strictly individual." One might, of course, suggest that a model containing this stipulation is far from corresponding to our actual complex economy, since in the latter the ultimate contracting parties who have the most effect on the market are not individuals but corporations, and moreover, corporations which in one way or another manage to opt out of the fully competitive market. This criticism, however, would not be accepted by all economists as self-evident: some would say that the question who has most effect on the market is still an open question (or is a wrongly-posed question). More investigation and analysis of this aspect of the economy would be valuable. But political scientists need not await its results before passing judgment on Friedman's position, nor should they be tempted to concentrate their attention on proviso (a). If they do so they are apt to miss the fault in

proviso (b), which is more fundamental, and of a different kind. It is not a question of the correspondence of the model to the actual: it is a matter of the inadequacy of the proviso to produce the model.

Proviso (b) is "that individuals are effectively free to enter or not to enter into any particular exchange," and it is held that with this proviso "every transaction is strictly voluntary." A moment's thought will show that this is not so. The proviso that is required to make every transaction strictly voluntary is *not* freedom not to enter into any *particular* exchange, but freedom not to enter into any exchange *at all*. This, and only this, was the proviso that proved the simple model to be voluntary and non-coercive; and nothing less than this would prove the complex model to be voluntary and non-coercive. But Professor Friedman is clearly claiming that freedom not to enter into any *particular* exchange is enough: "The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal. . . . The employee is protected from coercion by the employer because of other employers for whom he can work. . . ." (pp. 14-15).

One almost despairs of logic, and of the use of models. It is easy to see what Professor Friedman has done, but it is less easy to excuse it. He has moved from the simple economy of exchange between independent producers, to the capitalist economy, without mentioning the most important thing that distinguishes them. He mentions money instead of barter, and "enterprises which are intermediaries between individuals in their capacities as suppliers of services and as purchasers of goods" (pp. 13-14), as if money and merchants were what distinguished a capitalist economy from an economy of independent producers. What distinguishes the capitalist economy from the simple exchange economy is the separation of labour and capital, that is, the existence of a labour force without its own sufficient capital and therefore without a choice as to whether to put its labour in the market or not. Professor Friedman would agree that where there is no choice there is coercion. His attempted demonstration that capitalism co-ordinates without coercion therefore fails.

Since all his specific arguments against the welfare and regulatory state depend on his case that the market economy is not coercive, the reader may spare himself the pains (or, if an economist, the pleasure) of attending to the careful and persuasive reasoning by which he seeks to establish the minimum to which coercion could be reduced by reducing or discarding each of the main regulatory and welfare activities of the state. None of this takes into account the coercion involved in the separation of capital from labour, or the possible mitigation of this coercion by the regulatory and welfare state. Yet it is because this coercion can in principle be reduced by the regulatory and welfare state, and thereby the amount of effective individual liberty be increased, that liberals have been justified in pressing, in the name of liberty, for infringements on the pure operation of competitive capitalism.

II

While the bulk of *Capitalism and Freedom* is concerned with the regulatory and welfare state, Friedman's deepest concern is with socialism. He undertakes to

demonstrate that socialism is inconsistent with political freedom. He argues this in two ways: (1) that competitive capitalism, which is of course negated by socialism, is a necessary (although not a sufficient) condition of political freedom; (2) that a socialist society is so constructed that it cannot guarantee political freedom. Let us look at the two arguments in turn.

1

The argument that competitive capitalism is necessary to political freedom is itself conducted on two levels, neither of which shows a necessary relation.

(a) The first, on which Friedman properly does not place very much weight, is a historical correlation. No society that has had a large measure of political freedom "has not also used something comparable to a free market to organize the bulk of economic activity" (p. 9). Professor Friedman rightly emphasizes "how limited is the span of time and the part of the globe for which there has ever been anything like political freedom" (p. 9); he believes that the exceptions to the general rule of "tyranny, servitude and misery" are so few that the relation between them and certain economic arrangements can easily be spotted. "The nineteenth century and early twentieth century in the Western world stand out as striking exceptions to the general trend of historical development. Political freedom in this instance clearly came along with the free market and the development of capitalist institutions" (pp. 9-10). Thus, for Professor Friedman, "history suggests . . . that capitalism is a necessary condition for political freedom" (p. 10).

The broad historical correlation is fairly clear, though in cutting off the period of substantial political freedom in the West at the "early twentieth century" Friedman seems to be slipping into thinking of economic freedom and begging the question of the relation of political freedom to economic freedom. But granting the correlation between the emergence of capitalism and the emergence of political freedom, what it may suggest to the student of history is the converse of what it suggests to Professor Friedman: i.e., it may suggest that political freedom was a necessary condition for the development of capitalism. Capitalist institutions could not be fully established until political freedom (ensured by a competitive party system with effective civil liberties) had been won by those who wanted capitalism to have a clear run: a liberal state (political freedom) was needed to permit and facilitate a capitalist market society.

If this is the direction in which the causal relation runs, what follows (assuming the same relation to continue to hold) is that freedom, or rather specific kinds and degrees of freedom, will be or not be maintained according as those who have a stake in the maintenance of capitalism think them useful or necessary. In fact, there has been a complication in this relation. The liberal state which had, by the mid-nineteenth century in England, established the political freedoms needed to facilitate capitalism, was not democratic: that is, it had not extended political freedom to the bulk of the people. When, later, it did so, it began to abridge market freedom. The more extensive the political freedom, the less extensive the economic freedom became. At any rate, the historical correlation scarcely suggests that capitalism is a necessary condition for political freedom.

(b) Passing from historical correlation, which "by itself can never be

convincing.” Professor Friedman looks for “logical links between economic and political freedom” (pp. 11–12). The link he finds is that “the kind of economic organization that provides economic freedom directly, namely, competitive capitalism, also promotes political freedom because it separates economic power from political power and in this way enables the one to offset the other” (p. 9). The point is developed a few pages later. The greater the concentration of coercive power in the same hands, the greater the threat to political freedom (defined as “the absence of coercion of a man by his fellow men”). The market removes the organization of economic activity from the control of the political authority. It thus reduces the concentration of power and “enables economic strength to be a check to political power rather than a reinforcement” (p. 15).

Granted the validity of these generalizations, they tell us only that the market *enables* economic power to offset rather than reinforce political power. They do not show any necessity or inherent probability that the market *leads* to the offsetting of political power by economic power. We may doubt that there is any such inherent probability. What can be shown is an inherent probability in the other direction, i.e., that the market leads to political power being used not to offset but to reinforce economic power. For the more completely the market takes over the organization of economic activity, that is, the more nearly the society approximates Friedman’s ideal of a competitive capitalist market society, where the state establishes and enforces the individual right of appropriation and the rules of the market but does not interfere in the operation of the market, the more completely is political power being used to reinforce economic power.

Professor Friedman does not see this as any threat to political freedom because he does not see that the capitalist market necessarily gives coercive power to those who succeed in amassing capital. He knows that the coercion whose absence he equates with political freedom is not just the physical coercion of police and prisons, but extends to many forms of economic coercion, e.g., the power some men may have over others’ terms of employment. He sees the coercion possible (he thinks probable) in a socialist society where the political authority can enforce certain terms of employment. He does not see the coercion in a capitalist society where the holders of capital can enforce certain terms of employment. He does not see this because of his error about freedom not to enter into any particular exchange being enough to prove the uncoercive nature of entering into exchange at all.

The placing of economic coercive power and political coercive power in the hands of different sets of people, as in the fully competitive capitalist economy, does not lead to the first checking the second but to the second reinforcing the first. It is only in the welfare-state variety of capitalism, which Friedman would like to have dismantled, that there is a certain amount of checking of economic power by political power.

The logical link between competitive capitalism and political freedom has not been established.

2

Professor Friedman argues also that a socialist society is so constructed that it cannot guarantee political freedom. He takes as the test of political freedom the

freedom of individuals to propagandize openly for a radical change in the structure of society: in a socialist society the test is freedom to advocate the introduction of capitalism. He might have seemed to be on more realistic ground had he taken the test to be freedom to advocate different policies within the framework of socialism, e.g., a faster or slower rate of socialization, of industrialization, etc.: it is on these matters that the record of actual socialist states has been conspicuously unfree. However, since the denial of freedom of such advocacy has generally been on the ground that such courses would lead to or encourage the reintroduction of capitalism, such advocacy may all be subsumed under his test.

We may grant at once that in the present socialist states (by which is meant those dominated by communist parties) such freedom is not only not guaranteed but is actively denied. Professor Friedman does not ask us to grant this, since he is talking not about particular socialist states but about any possible socialist state, about the socialist state as such; nevertheless the actual ones are not far from his mind, and we shall have to refer to them again. His case that a socialist state as such cannot guarantee political freedom depends on what he puts in his model of the socialist state. He uses in fact two models. In one, the government is the sole employer and the sole source from which necessary instruments of effective political advocacy (paper, use of printing presses, halls) can be had. In the other, the second stipulation is dropped.

It is obvious that in either model a government which wished to prevent political advocacy could use its economic monopoly position to do so. But what Professor Friedman is trying to establish is something different, namely, that its economic monopoly position would render any socialist government, whatever its intentions, incapable of guaranteeing this political freedom. It may be granted that in the first model this would be so. It would be virtually impossible, for a government which desired to guarantee freedom of political advocacy, to provide paper, presses, halls, etc., to all comers in the quantities they thought necessary.

But in the second model this would not apply. The second model appears when Professor Friedman is urging a further argument, namely, that a government which desired to guarantee free political advocacy could not effectively make it possible because, in the absence of capitalism and hence of many and widely dispersed private fortunes, there would be no sufficient source of private funds with which to finance propaganda activities, and the government itself could not feasibly provide such funds. Here there is assumed to be a market in paper, presses, and halls: the trouble is merely shortage of funds which advocates can use in these markets.

This second argument need not detain us, resting as it does on the unhistorical assumption that radical minority movements are necessarily unable to operate without millionaire angels or comparably few sources of large funds. Nor, since the second argument assumes that paper, presses and halls can be purchased or hired, need we challenge the assumption put in the first model, that these means of advocacy are unobtainable in the socialist state except by asking the government for them.

We have still to consider the effect of the other stipulation, which is made in both models: that the government is the sole employer. Accepting this as a

proper stipulation for a socialist model, the question to be answered is: does the monopoly of employment itself render the government incapable (or even less capable than it otherwise would be) of safeguarding political freedom? Friedman expects us to answer yes, but the answer is surely no. A socialist government which wished to guarantee political freedom would not be prevented from doing so by its having a monopoly of employment. Nor need it even be tempted to curtail political freedom by virtue of that monopoly. A government monopoly of employment can only mean (as Friedman allows) that the government and all its agencies are, together, the only employers. A socialist government can, by devolution of the management of industries, provide effective alternative employment opportunities. True, a government which wished to curtail or deny the freedom of radical political advocacy could use its monopoly of employment to do so. But such a government has so many other ways of doing it that the presence or absence of this way is not decisive.

It is not the absence of a fully competitive labour market that may disable a socialist government from guaranteeing political freedom; it is the absence of a firm will to do so. Where there's a will there's a way, and for all that Friedman has argued to the contrary, the way need have nothing to do with a fully competitive labour market. The real problem of political freedom in socialism has to do with the will, not the way. The real problem is whether a socialist state could ever have the will to guarantee political freedom. This depends on factors Friedman does not consider, and until they have been assessed, questions about means have an air of unreality, as has his complaint that Western socialists have not faced up to the question of means. We shall return to both of these matters after looking briefly at the factors which are likely to affect such a will to political freedom.

On the question of the will, we cannot say (nor indeed does Professor Friedman suggest) that a will to guarantee political freedom is impossible, or even improbable, in a socialist state. True, if one were to judge by existing socialist states controlled by communist parties, the improbability would be high. (We are speaking here of day-to-day political freedom, which is the question Friedman has set, and not with the will to achieve some higher level of freedom in an ultimately transformed society.) But if we are to consider, as Professor Friedman is doing, socialist states that might emerge in the West, we should notice the differences between the forces in the existing ones and those inherent in possible future Western ones.

There are some notable differences. First, the existing socialist states were virtually all established in underdeveloped societies, in which the bulk of the people did not have the work habits and other cultural attributes needed by a modern industrial state. They have had to change an illiterate, largely unpolitical, peasant population into a literate, politicized, industrially oriented people. While doing this they have had to raise productivity to levels which would afford a decent human minimum, and even meet a rising level of material expectations. The pressures against political freedom that are set up by these factors are obvious. In the few instances, e.g., Czechoslovakia, where socialism did not start from such an underdeveloped base, it started under an external domination that produced equal though different pressures against political freedom. None of

these pressures would be present in a socialist state which emerged independently in an already highly developed Western society.

Secondly, in the existing socialist states the effort to establish socialism has been made in the face of the hostility of the Western powers, whether manifested in their support of counter-revolution or in "encirclement" or "cold war." The ways in which this fact has compounded the pressures against political freedom due to the underdeveloped base are obvious. Presumably the force of this hostility would be less in the case of future socialist takeovers in Western countries.

Thirdly, the existing socialist states were all born in revolution or civil war, with the inevitable aftermath that "deviations" from the line established from time to time by the leadership (after however much or little consultation) tend to be treated as treason against the socialist revolution and the socialist state. We may at least entertain the possibility of a socialist takeover in an advanced Western nation without revolution or civil war (as Professor Friedman presumably does, else he would not be so concerned about the "creeping socialism" of the welfare state). A socialist state established without civil war would not be subject to this third kind of pressure against political freedom.

Thus of the three forces that have made the pressures against political freedom generally predominate in socialist states so far, the first will be absent, the second reduced or absent, and the third possibly absent, in a future Western socialist state that emerged without external domination.

When these projections are borne in mind, Professor Friedman's complaint about Western socialists appears somewhat impertinent. He complains that "none of the people who have been in favor of socialism and also in favor of freedom have really faced up to this issue [of means], or made even a respectable start at developing the institutional arrangements that would permit freedom under socialism" (p. 19). Perhaps the reason is that they think it more important, in the interests of freedom, to examine and even try to influence the circumstances in which socialism might arrive, than to begin planning institutional arrangements. Western socialists who believe in political freedom are, or should be, more concerned with seeking ways to minimize the cold war (so as to minimize the chances that the second of the projected forces against political freedom will be present in the socialist transformation they hope to achieve in their country), and seeking ways to minimize the likelihood of civil war (so as to minimize the third of the forces against political freedom), than with developing "institutional arrangements that would permit freedom under socialism."

But although, in a socialist state, the existence of a predominant will for political freedom may be more important than institutional arrangements, the latter should not be neglected. For even where there is, on the whole, a will to guarantee political freedom, there are likely always to be some pressures against it, so that it is desirable to have institutions which will make infringements difficult rather than easy. What institutional arrangements, beyond the obvious ones of constitutional guarantees of civil liberties and a legal system able to enforce them, are required? Let us accept Professor Friedman's statement of additional minimum institutional requirements. Advocates of radical change opposed to the government's policies must be able to obtain the indispensable

means of advocacy—paper, presses, halls, etc. And they must be able to propagandize without endangering their means of livelihood.

As we have already seen, there is no difficulty inherent in socialism in meeting the first of these requirements, once it is granted (as Professor Friedman's second model grants) that the absence of a complete capitalist market economy does not entail the absence of markets in paper, presses, and halls.

The second requirement seems more difficult to meet. If the government (including all its agencies) is the sole employer, the standing danger that the monopoly of employment would be used to inhibit or prevent certain uses of political freedom is obvious. The difficulty is not entirely met by pointing out that a socialist state can have any amount of devolution of industry or management, so that there can be any number of employers, or by stipulating as an institutional arrangement that this devolution be practised. For it is evident that if there is a ubiquitous single or dominant political party operating in all industries and all plants (and all trade unions), it can make this multiplicity of employment opportunities wholly ineffective, if or in so far as it wishes to do so. The problem is not the absence of a labour market but the possible presence of another institution, a ubiquitous party which puts other things ahead of political freedom.

The stipulation that would be required to safeguard political freedom from the dangers of employment monopoly is not merely that there be devolution of management, and hence employment alternatives (which could be considered an institutional arrangement), but also that there be no ubiquitous party or that, if there is, such a party should consistently put a very high value on political freedom (which stipulation can scarcely be set out as an institutional arrangement). We are back at the question of will rather than way, and of the circumstantial forces which are going to shape that will, for the presence or absence of such a party is clearly going to depend largely on the circumstances in which a socialist state is established.

There is, however, one factor (which might be institutionalized) which may, in any socialist state established in the West, reduce even the possibility of such intimidation through employment monopoly. This is the decreasing necessity, in highly developed societies whose economic systems are undergoing still further and rapid technological development, of relating income to employment. One need not be as sanguine as some exponents of the guaranteed income¹ to think it possible, even probable, that before any advanced Western nation chooses socialism it will have seen the logic of using its affluence and averting difficulties both political and economic by introducing a guaranteed minimum annual income to everyone regardless of employment. In this event, the technical problem that worries Professor Friedman—how to ensure that a threat to employment and hence to livelihood could not be used to deny political freedom—would no longer be a problem. A threat to employment would no longer be a threat to livelihood. It would indeed be a cost, but as Professor Friedman says, "what is essential is that the cost of advocating unpopular causes be tolerable and not prohibitive" (p. 18).

But even without such a separation of employment from income, the technical

¹Robert Theobald, ed., *The Guaranteed Income* (New York, 1967).

problem of securing political freedom from being denied by the withholding of employment can be met by such devolution of management as would constitute a set of alternative employments *provided* that this is not offset by a ubiquitous party hostile to political freedom. If there is such a party, no institutional arrangements for safeguarding political freedom are reliable; if there is not, the institutional arrangements do not seem to be difficult.

III

We noticed (at the end of section I above) that Professor Friedman, in arguing that freedom would be increased if most of the regulatory and welfare activities of contemporary Western states were abandoned, did not take into account the coercion involved in the separation of capital from labour or the possible mitigation of this coercion by the regulatory and welfare state. But in Chapter 10, on the distribution of income, he does deal with a closely related problem. Here he sets out the ethical case for distribution according to product, as compared with "another [principle] that seems ethically appealing, namely, equality of treatment" (p. 162). Distribution according to product he describes, accurately enough, as the principle "To each according to what he and the instruments he owns produces" (pp. 161–2): to be strictly accurate this should read "resources" or "capital and land" instead of "instruments," but the sense is clear. This is offered as "the ethical principle that would directly justify the distribution of income in a free market society" (p. 161). We can agree that this is the only principle that can be offered to justify it. We may also observe that this principle is not only different from the principle "to each according to his work," but is also inconsistent with it (except on the fanciful assumption that ownership of resources is always directly proportional to work). Professor Friedman does not seem to see this. His case for the ethical principle of payment according to product is that it is unthinkingly accepted as a basic value-judgment by almost everybody in our society; and his demonstration of this is that the severest internal critics of capitalism, i.e. the Marxists, have implicitly accepted it.

Of course they have not. There is a double confusion here, even if we accept Friedman's paraphrase of Marx. Marx did not argue quite, as Friedman puts it (p. 167), "that labor was exploited . . . because labor produced the whole of the product but got only part of it"—the argument was rather that labour is exploited because labour produces the whole of the value that is added in any process of production but gets only part of it—but Friedman's paraphrase is close enough for his purpose. Certainly the implication of Marx's position is that labour (though not necessarily each individual labourer) is entitled to the whole of the value it creates. But in the first place, this is, at most, the principle "to each according to his work," not "to each according to what he and the instruments he owns produces" or "to each according to his product." In the second place, Marx accepted "to each according to his work" only as a transitionally valid principle, to be replaced by the ultimately desirable principle "to each according to his need." Professor Friedman, unaccountably, only refers to this latter principle as "Ruskinian" (p. 167).

Having so far misread Marx, Professor Friedman gives him a final fling.

Of course, the Marxist argument is invalid on other grounds as well . . . [most] striking, there is an unstated change in the meaning of "labor" in passing from the premise to the conclusion. Marx recognized the role of capital in producing the product but regarded capital as embodied labor. Hence, written out in full, the premises of the Marxist syllogism would run: "Present and past labor produce the whole of the product." The logical conclusion is presumably "Past labor is exploited," and the inference for action is that past labor should get more of the product, though it is by no means clear how, unless it be in elegant tombstones (pp. 167-8).

This nonsense is unworthy of Professor Friedman's talents. The Marxist premises are: Present labour, and the accumulation of surplus value created by past labour and extracted from the past labourers, produce the whole value of the product. Present labour gets only a part of that part of the value which it creates, and gets no part of that part of the value which is transferred to the product from the accumulated surplus value created by past labour. The logical conclusion is presumably that present labour is exploited and past labour was exploited, and the inference for action is that a system which requires constant exploitation should be abandoned.

Ignorance of Marxism is no sin in an economist, though cleverness in scoring off a travesty of it may be thought a scholarly lapse. What is more disturbing is that Professor Friedman seems to be satisfied that this treatment of the ethical justification of different principles of distribution is sufficient. Given his own first postulate, perhaps it is. For in asserting at the beginning of the book that freedom of the individual, or perhaps of the family, is the liberal's "ultimate goal in judging social arrangements," he has said in effect that the liberal is not required seriously to weigh the ethical claims of equality (or any other principle of distribution), let alone the claims of any principle of individual human development such as was given first place by liberals like Mill and Green, against the claims of freedom (which to Friedman of course means market freedom). The humanist liberal in the tradition of Mill and Green will quite properly reject Friedman's postulate. The logical liberal will reject his fallacious proof that the freedom of the capitalist market is individual economic freedom, his undemonstrated case that political freedom requires capitalism, and his fallacious defence of the ethical adequacy of capitalism. The logical humanist liberal will regret that the postulate and the fallacies make *Capitalism and Freedom* not a defence but an elegant tombstone of liberalism.