

THE BEST OF THE OLL #17

Milton Friedman, “Capitalism and Freedom” (1961)

“Economic freedom is an end in itself to a believer in freedom. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.”



Milton Friedman (1912-2007)

The Best of the Online Library of Liberty <oll.libertyfund.org/title/2465>

The Best of Bastiat <oll.libertyfund.org/title/2477>

[March, 2013]

Editor's Introduction

Milton Friedman (1912-2007) was a member of the Chicago School of free market economics. He not only made significant contributions to monetary theory (the theory of “monetarism”) but also to economic history with his monumental *A Monetary History of the United States* (1963, coauthored with with A. J. Schwartz). Friedman won the Nobel Prize in Economics in 1976. In addition to his expertise in technical economic matters he was also a gifted popularizer of economics and reached a large audience with his book (with Rose D. Friedman) *Capitalism and Freedom* (1962), weekly columns for *Newsweek* magazine (1966–84), and TV documentaries (with Rose D. Friedman) *Free to Choose* (1980) and *Tyranny of the Status Quo* (1984).

This extract is an article he wrote in 1961 for a graduate student run libertarian magazine at the University of Chicago, *The New Individualist Review*, edited by the historian Ralph Raico. In this essay Friedman makes the claim, unusual for the time, that economic and political liberties are intimately linked and that modern day “liberals” were wrong in thinking that they could have political liberties without economic liberties being protected as well.

He identified himself as being in the 19th century “classical liberal” tradition and strongly rejected what he called the “orthodox and indeed reactionary” “liberalism” of the late 20th century. Although Friedman thought that economic liberties were valuable in their own right he was appealing to his (social democratic) “liberal” rivals that their much desired political liberties such as freedom of speech and the right to participate in elections would become meaningless in a socialist society where the state was the main employer and where most meetings halls and newspaper presses were owned by the state. In other words, he believed that “economic freedom is ... an indispensable means toward the achievement of political freedom.”

“It is widely believed that economic arrangements are one thing and political arrangements another; that any kind of economic arrangement can be associated with any kind of political arrangement. This is the idea that underlies such a term as “democratic socialism.” The essential thesis, I believe, of a new liberal is that this idea is invalid, that “democratic socialism” is a contradiction in terms, that there is an intimate connection between economic arrangements and political arrangements, and that only certain combinations are possible.”

“Capitalism and Freedom” (1961)¹

IN DISCUSSING the principles of a free society it is desirable to have a convenient label and this has become extremely difficult. In the late 18th and early 19th centuries, an intellectual movement developed that went under the name of Liberalism. This development, which was a reaction against the authoritarian elements in the prior society, emphasized freedom as the ultimate goal and the individual as the ultimate entity in the society. It supported *laissez faire* at home as a means of reducing the role of the state in economic affairs and thereby avoiding interfering with the individual; it supported free trade abroad as a means of linking the nations of the world together peacefully and democratically. In political matters, it supported the development of representative government and of parliamentary institutions, reduction in the arbitrary power of the state, and protection of the civil freedoms of individuals.

Beginning in the late 19th century, the intellectual ideas associated with the term liberalism came to have a very different emphasis, particularly in the economic area. Whereas 19th century liberalism emphasized freedom, 20th century liberalism tended to emphasize welfare. I would say welfare instead of freedom though the 20th century liberal would no doubt say welfare in addition to freedom. The 20th century liberal puts his reliance primarily upon the state rather than on private voluntary arrangements.

The difference between the two doctrines is most striking in the economic sphere, less extreme in the political sphere. The 20th century liberal, like the 19th century liberal, puts emphasis on parliamentary institutions, representative government, civil rights, and so on. And yet even here there is an important difference. Faced with the choice between having the state intervene or not, the 20th century liberal is likely to resolve any doubt in favor of intervention; the 19th century liberal, in the other direction. When the question arises at what level of government something should be done, the 20th century liberal is likely to resolve any doubt in favor of the more centralized level—the state instead of the city, the federal government instead of the state, a world organization instead of a

federal government. The 19th century liberal is likely to resolve any doubt in the other direction and to emphasize a decentralization of power.

This use of the term liberalism in these two quite different senses renders it difficult to have a convenient label for the principles I shall be talking about. I shall resolve these difficulties by using the word liberalism in its original sense. Liberalism of what I have called the 20th century variety has by now become orthodox and indeed reactionary. Consequently, the views I shall present might equally be entitled, under current conditions, the “new liberalism,” a more attractive designation than “nineteenth century liberalism.”

“It is widely believed that economic arrangements are one thing and political arrangements another; that any kind of economic arrangement can be associated with any kind of political arrangement. This is the idea that underlies such a term as “democratic socialism.” The essential thesis, I believe, of a new liberal is that this idea is invalid, that “democratic socialism” is a contradiction in terms, that there is an intimate connection between economic arrangements and political arrangements, and that only certain combinations are possible.”

It is widely believed that economic arrangements are one thing and political arrangements another, that any kind of economic arrangement can be associated with any kind of political arrangement. This is the idea that underlies such a term as “democratic socialism.” The essential thesis, I believe, of a new liberal is that this idea is invalid, that “democratic socialism” is a

¹ *New Individualist Review*, editor-in-chief Ralph Raico, introduction by Milton Friedman (Indianapolis: Liberty Fund, 1981). Chapter: Milton Friedman, Capitalism and Freedom. <oll.libertyfund.org/title/2136/195245>.

contradiction in terms, that there is an intimate connection between economic arrangements and political arrangements, and that only certain combinations are possible.

It is important to emphasize that economic arrangements play a dual role in the promotion of a free society. On the one hand, “freedom” in economic arrangements is itself a component of freedom broadly understood, so “economic freedom” is an end in itself to a believer in freedom. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom.

The first of these roles of economic freedom needs special emphasis. The citizen of Great Britain who after World War II was not permitted, by law, to spend his vacation in the United States because of exchange control was being deprived of an essential freedom no less than the citizen of the United States who was denied the opportunity to spend his vacation in Russia on the grounds of his political views. The one was ostensibly an economic limitation on freedom and the other a political limitation, yet there is no essential difference between the two.

The citizen of the United States who is compelled by law to devote something like 10% of his income to the purchase of a particular kind of retirement contract, administered by the government, is being deprived of a corresponding part of his own personal freedom. How strongly this particular deprivation may be felt, and its closeness to the deprivation of religious freedom, which all would regard as “civil” or “political” rather than “economic,” was dramatized by the recent episode involving a group of Ohio or Pennsylvania farmers of a particular religious sect. On grounds of principle, this group regarded compulsory federal old age programs as an infringement on their own personal individual freedom and refused to pay taxes or accept benefits. As a result, some of their livestock were sold at auction in order to satisfy claims for social security levies. A citizen of the United States who under the laws of various states is not free to follow the occupation of his own choosing unless he can get a license for it, is likewise being deprived of an essential part of his freedom. So economic freedom, in and of itself, is an extremely important part of total freedom.

The reason it is important to emphasize this point is because intellectuals in particular have a strong bias against regarding this aspect of freedom as important.

They tend to express contempt for what they regard as material aspects of life and to regard their own pursuit of allegedly higher values as on a different plane of significance and as deserving special attention. But for the ordinary citizen of the country, for the great masses of the people, the direct importance of economic freedom is in many cases of at least comparable importance to the indirect importance of economic freedom as a means of political freedom.

“Viewed as a means to the end of political freedom, economic arrangements are essential because of the effect which they have on the concentration or the deconcentration of power.”

VIEWED AS a means to the end of political freedom, economic arrangements are essential because of the effect which they have on the concentration or the deconcentration of power. A major thesis of the new liberal is that the kind of economic organization that provides economic freedom directly, namely, organization of economic activities through a largely free market and private enterprise, in short through competitive capitalism, is also a necessary though not a sufficient condition for political freedom. The central reason why this is true is because such a form of economic organization separates economic power from political power and in this way enables the one to be an offset to the other. Historical evidence speaks with a single voice on the relation between political and economic freedom. I cannot think of a single example at any time or any place where there was a large measure of political freedom without there also being something comparable to a private enterprise market form of economic organization for the bulk of economic activity.

Because we live in a largely free society, we tend to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom. The 19th century and the early 20th century in the Western world stand out as striking exceptions from the general trend of historical development. It is clear that freedom in this instance

came along with the free market and the development of capitalist institutions.

History suggests only that economic freedom is a necessary condition for political freedom. Clearly it is not a sufficient condition. Fascist Italy or Fascist Spain, Germany at various times in the last 70 years, Japan before World Wars I and II, Czarist Russia in the decades before World War I are all societies that cannot conceivably be described as politically free yet in which private enterprise was the dominant form of economic organization. So it is possible to have economic arrangements that are fundamentally capitalist and yet political arrangements that are not free.

Yet, even in those cases, the citizenry had a good deal more freedom than citizens of a modern totalitarian state like Russia or Nazi Germany in which economic totalitarianism is combined with political totalitarianism. Even in Russia under the Czars it was possible for some citizens under some circumstances to change their jobs without getting permission from political authority because the existence of private property and of capitalism provided some kind of offset to the centralized power of the state.

The relation between political and economic freedom is complex and by no means unilateral. In the early 19th century, Bentham and the Philosophical Radicals were inclined to regard political freedom as a means to economic freedom. Their view was that the masses were being hampered by the restrictions that were being imposed upon them, that if political reform gave the bulk of the people the vote, they would do what was good for them, which was to vote for *laissez faire*. In retrospect, it is hard to say that they were wrong. There was a large measure of political reform that was accompanied by economic reform in the direction of a great deal of *laissez faire*. And an enormous increase in the well-being of the masses followed this change in economic arrangements.

Later in the 19th century, when there began to be a movement away from freer economic arrangements and *laissez faire* toward a greater measure of collectivism and centralization, the view developed, as expressed for example by Lord Acton and in the 20th century by Henry Simons and Friedrich Hayek, that the relation was more nearly the opposite—that economic freedom was the means to political freedom.

In the period since World War II, I think we have seen still a different interconnection between political

and economic freedom. In the post-war period, the fears that economic intervention would destroy political freedom seemed to be on the way to being realized. Various countries, and again Britain is perhaps the outstanding example because it has been so much a leader in the realm of ideas and social arrangements, did extend very greatly the area of state intervention into economic affairs and this did threaten political freedom. But the result was rather surprising. Instead of political freedom giving way, what happened in many cases was that economic intervention was discarded. The striking example in British post-war development was the Control-of-Engagements Order issued by the Labor Government. In trying to carry out their economic plans, the Labor Government found it necessary to do something which several years before it had said it would never do, namely, to exercise control over the jobs which people could take. Thanks to widespread popular objection, the legislation was never enforced at all extensively. After being on the books for one year, it was repealed. It seems clear that it was repealed precisely because it quite directly threatened a cherished political freedom. And from that day to this, there has been a trend toward a reduction in the extent of political intervention in economic affairs.

The dismantling of controls dates from the repeal of the Control-of-Engagements Order; it would have occurred even if the Labor Government had stayed in power. This may, of course, turn out to be a purely temporary interlude, a minor halt in the march of affairs toward a greater degree of intervention into economic affairs. Perhaps only innate optimism leads me to believe that it is more than that. Whether this be so or not, it illustrates again in striking fashion the close connection between economic arrangements and political arrangements. Not only in Britain but in other countries of the world as well, the post-war period has seen the same tendency for economic arrangements to interfere with political freedom and for the economic intervention frequently to give way.

Historical evidence that the development of freedom and of capitalist and market institutions have coincided in time can never by itself be persuasive. Why should there be a connection? What are the logical links between economic and political freedom? In discussing these questions, I shall first consider the market as a direct component of freedom and then the indirect relation between market arrangements and

political freedom. In the process, I shall in effect outline the ideal economic arrangements of the new liberal.

THE NEW LIBERAL takes freedom of the individual as his ultimate goal in judging social arrangements. Freedom as a value in this sense has to do with the interrelations among people; it has no meaning whatsoever to a Robinson Crusoe on an isolated island (without his man Friday). Robinson Crusoe on his island is subject to “constraint,” he has limited “power;” he has only a limited number of alternatives, but there is no problem of freedom in the sense that is relevant to the present discussion. Similarly, in a society, freedom has nothing to say about what an individual does with his freedom; it isn’t an all-embracing ethic by any manner of means. Indeed, a major aim of the believer in freedom is to leave the ethical problem for the individual to wrestle with. The “really” important ethical problems are those that face an individual in a free society—what an individual should do with his freedom. There are thus two sets of values that a liberal will emphasize—the values relevant to relations among people which is the context in which he assigns first priority to freedom; and the values that are relevant to the individual in the exercise of his freedom, which is the realm of individual ethics and philosophy.

Fundamentally there are only two ways in which the activities of a large number of people can be co-ordinated: by central direction, which is the technique of the army and of the totalitarian state and involves some people telling other people what to do; or by voluntary co-operation, which is the technique of the market place and of arrangements involving voluntary exchange. The possibility of voluntary co-operation in its turn rests fundamentally on the proposition that both parties to an exchange can benefit from it. If it is voluntary and reasonably well informed, the exchange will not take place unless both parties do benefit from it.

The simplest way to see the principle at work is to go back to the economist’s favorite abstraction of Robinson Crusoe, only to have a number of Robinson Crusoe households on different islands, each of which is initially self-sufficient. Let the households come into contact with one another. The possibility of trade now emerges. What is it that gives them an incentive to trade? The answer clearly is that if each household concentrates on a small range of activities, producing things for itself indirectly, by trade, rather than doing

everything for itself, everybody can be better off. This possibility arises for two reasons: one is that an individual can achieve a higher degree of competence in an activity if he specializes in it rather than engaging in many activities; the other, closely associated but not identical, is that people are different and each can specialize in those activities for which he has special capacities. Even if everyone were identical in all his capacities and abilities, there would still be a gain from division of labor which would make a larger total return possible because each individual could concentrate on a particular activity. But in addition, diversity among people becomes a source of strength because each individual can concentrate on doing those things that he can do best. So the incentive for the households to engage in trade and to specialize is the possibility of a greater total output.

“Fundamentally there are only two ways in which the activities of a large number of people can be co-ordinated: by central direction, which is the technique of the army and of the totalitarian state and involves some people telling other people what to do; or by voluntary co-operation, which is the technique of the market place and of arrangements involving voluntary exchange.”

The protection to Household A is that it need not enter into an exchange with Household B unless both parties benefit. If exchange is voluntary, it will take place if, and only if, both parties do benefit. Each individual always has the alternative of going back to producing for himself what he did before so he can never be worse off; he can only be better off.

OF COURSE, specialization of function and division of labor would not go far if the ultimate productive unit were the household. In a modern society, we have gone much farther. We have introduced enterprises which are intermediaries

between individuals in their capacities as suppliers of services and as purchasers of goods. And similarly, specialization of function and division of labor could not go very far if we had to continue to rely on the barter of product for product. In consequence, money has been introduced as a means of facilitating exchange and of enabling the act of purchase and of sale to be separated into two parts.

The introduction of enterprises and the introduction of money raise most of the really difficult problems for economics as a science. But from the point of view of the principles of social organization, they do not fundamentally alter the essential character of economic arrangements. In a modern complex society using enterprises and money it is no less true than in the simple idealized world that co-ordination through the markets is a system of voluntary co-operation in which all parties to the bargain gain.

“What most people really object to when they object to a free market is that it is so hard for them to shape it to their own will. The market gives people what the people want instead of what other people think they ought to want. At the bottom of many criticisms of the market economy is really lack of belief in freedom itself.”

So long as effective freedom of exchange is maintained, the essential feature of the market is that it enables people to co-operate voluntarily in complex tasks without any individual being in a position to interfere with any other. Many of the difficult technical problems that arise in applying our principles to actual economic arrangements are concerned with assuring effective freedom to enter or not to enter into exchanges. But so long as people are effectively free to enter into an exchange and are reasonably well informed the essential feature of the market remains that of our ideal example. It provides for co-operation without coercion; it prevents one person from interfering with another. The employer is protected

from being interfered with or coerced by his employees by the existence of other employees whom he can hire. The employee is protected from being coerced by his employer by the existence of other employers for whom he can work; the customer by the existence of other sellers, and so on.

Of course, it is partly this feature of the market that leads many people to be opposed to it. What most people really object to when they object to a free market is that it is so hard for them to shape it to their own will. The market gives people what the people want instead of what other people think they ought to want. At the bottom of many criticisms of the market economy is really lack of belief in freedom itself.

The essence of political freedom is the absence of coercion of one man by his fellow men. The fundamental danger to political freedom is the concentration of power. The existence of a large measure of power in the hands of a relatively few individuals enables them to use it to coerce their fellow man. Preservation of freedom requires either the elimination of power where that is possible, or its dispersal where it cannot be eliminated. It essentially requires a system of checks and balances, like that explicitly incorporated in our Constitution. One way to think of a market system is as part of a broader system of checks and balances, as a system under which economic power can be a check to political power instead of an addition to it.

If I may speculate in an area in which I have little competence, there seems to be a really essential difference between political power and economic power that is at the heart of the use of a market mechanism to preserve freedom. With respect to political power, there is something like a law of conservation of energy or power. The notion that what one man gains another man loses has more applicability in the realm of politics than in the realm of economic arrangements. One can have many different small governments, but it is hard to think of having many different small centers of political power in any single government. It is hard for there to be more than one really outstanding leader, one person on whom the energies and enthusiasms and so on of his countrymen are centered. If the central government gains power, it is likely to do so at the expense of local governments. While I do not know how to formulate the statement precisely, there seems to be something like a fixed total of political power to be distributed.

There is no such fixed total, no law of conservation of power, with respect to economic power. You cannot very well have two presidents in a country, although you may have two separate countries, but it is perfectly possible to have a large number of additional millionaires. You can have an additional millionaire without there being any fewer millionaires anywhere else. If somebody discovers a way to make resources more productive than they were before, he will simply add to the grand total of economic wealth. Economic power can thus be more readily dispersed than political power. There can be a larger number of independent foci of power. Further, if economic power is kept in separate hands from political power, it can serve as a check and an offset to political power.

“Economic power can thus be more readily dispersed than political power. There can be a larger number of independent foci of power. Further, if economic power is kept in separate hands from political power, it can serve as a check and an offset to political power.”

This is a very abstract argument and I think I can illustrate its force for our purpose best by turning to some examples. I would like to discuss first a hypothetical example that helps to bring out the principles involved and then an actual example from recent experience that also illustrates the way in which the market works to preserve political freedom.

I think that most of us will agree that an essential element of political freedom is the freedom to advocate and to try to promote radical changes in the organization of society. It is a manifestation of political freedom in our capitalist society that people are free to advocate, and to try to persuade others to favor socialism or communism. I want to contemplate for a moment the reverse problem. It would be a sign of political freedom in a socialist society that people in that society should be free to advocate, and try to persuade others to favor capitalism. I want to ask the hypothetical question: how could a socialist society

preserve the freedom to advocate capitalism? I shall assume that the leading people and the public at large seriously wish to do so and ask how they could set up the institutional arrangements that would make this possible.

THE FIRST problem is that the advocates of capitalism must be able to earn a living. Since in a socialist society all persons get their incomes from the state as employees or dependents of employees of the state, this already creates quite a problem. It is one thing to permit private individuals to advocate radical change. It is another thing to permit governmental employees to do so. Our whole post-war experience with un-American activities committees and the McCarthy investigations and so on shows how difficult a problem it is to carry over this notion to governmental employees. The first thing that would be necessary would therefore be essentially a self-denying ordinance on the part of the government that would not discharge from public employment individuals who advocate subversive doctrines—since of course, in a socialist state the doctrine that capitalism should be restored would be a subversive doctrine. Let us suppose this hurdle, which is the least of the hurdles, is surmounted.

Next, in order to be able to advocate anything effectively it is necessary to be able to raise some money to finance meetings, propaganda, publications, writings and so on. In a socialist society, there might still be men of great wealth. There is no reason why a socialist society shouldn't have a wide and unequal distribution of income and of wealth. It is clear, however, that most, if not all of the people, of great wealth or income would be the leading figures in the government, directly or indirectly—high level civil servants or favored authors, actors, and the like. Perhaps it doesn't strain the bounds of credulity greatly to suppose that the government would countenance and tolerate the advocacy of capitalism by minor civil servants. It's almost incredible that it could tolerate the financing of subversive activity by leading civil servants. It is, therefore, hard to believe that these wealthy or high income individuals could be a source of finance. The only other recourse would be to try to get small sums from a large number of people. But this evades the issue. In order to get a lot of people to contribute you first have to persuade them. How do you get started persuading?

Note that in a capitalistic society radical movements have never been financed by small amounts from many people. They have been financed by a small number of wealthy people being willing to foot the bill. To take an example that is quite old but very striking, who financed Karl Marx? It was Engels, and where did Engels get his money? He was an independent business man of wealth. (In the modern day it's the Anita McCormick Blaines and Frederick Vanderbilt Fields, the Corliss Lamonts and so on who have been the source of finance of the radical movement.) This is the important source of the strength of freedom in a capitalist society. It means that anybody who has a "crazy" idea that he wants to propagate and promote has only to persuade a small number out of a very large number of potential backers in order to be able to get an opportunity to try out his crazy notions in the market place of ideas.

“To take an example that is quite old but very striking, who financed Karl Marx? It was Engels, and where did Engels get his money? He was an independent business man of wealth. ... This is the important source of the strength of freedom in a capitalist society. It means that anybody who has a “crazy” idea that he wants to propagate and promote has only to persuade a small number out of a very large number of potential backers in order to be able to get an opportunity to try out his crazy notions in the market place of ideas.”

Moreover, the situation is even more extreme. Suppose somebody has an idea that he thinks will appeal to a large number of people. He doesn't even have to persuade somebody that he is right. He just has to persuade some capitalist in the society—in this

particular case say a publisher or a magazine editor—that there's a chance that a lot of people will be willing to pay to read about his idea. A publisher, for example, will have an incentive to publish a book, with whose ideas he doesn't agree in the slightest, if there is a substantial chance that the book will sell enough copies to make money.

By contrast, let's go back to the hypothetical socialist society. How does the proponent of capitalism in such a society raise money to propagate his ideas? He can't get it from the wealthy individuals in the society. It is hard to believe that it is feasible for him to raise the necessary amount by getting small sums from a large number of people. Perhaps one can conceive of the socialist society being sufficiently aware of this problem and sufficiently anxious to preserve freedom to set up a governmental fund for the financing of subversive activities. It is a little difficult to conceive of this being done, but even if it were done it would not meet the problem. How would it be decided who should be supported from the fund? If subversive activity is made a profitable enterprise, it is clear that there will be an ample supply of people willing to take money for this purpose. If money is to be got for the asking, there will be plenty of asking. There must be some way of rationing. How could it be rationed?

Even if this problem were solved, the socialist society would still have difficulties in preserving freedom. The advocate of capitalism must not only have money, he must also be able to buy paper, print his material, distribute it, hold meetings, and the like. And, in the socialist society, in each instance this would involve dealing with an instrumentality of the government. The seller of paper in a capitalist society doesn't care or indeed know whether the paper he's selling is going to be used to print the *Wall Street Journal* or the *Worker*.

In the circumstances envisaged in the socialist society, the man who wants to print the paper to promote capitalism has to persuade a government mill to sell him the paper, a government printing press to print it, a government post office to distribute it among the people, a government agency to rent him a hall in which to talk and so on. Maybe there is some way in which one could make arrangements under a socialist society to preserve freedom and to make this possible. I certainly cannot say that it is utterly impossible. What is clear is that there are very real difficulties in preserving dissent and that, so far as I know, none of the people

who have been in favor of socialism and also in favor of freedom have really faced up to this issue or made even a respectable start at developing the institutional arrangements that would permit freedom under socialism. By contrast, it is clear how a free market capitalist society fosters freedom.

A striking example, which may be found in the January 26, 1959, issue of *Time*, has to do with the “Black List Fade-Out.” Says the *Time* story, “The Oscar awarding ritual is Hollywood’s biggest pitch for dignity but two years ago dignity suffered. When one Robert Rich was announced as top writer for *The Brave One*, he never stepped forward. Robert Rich was a pseudonym masking one of about 150 actors blacklisted by the industry since 1947 as suspected Communists or fellow travelers. The case was particularly embarrassing to the Motion Picture Academy because it had barred any Communist or 5th Amendment pleader from Oscar competition.

“Last week both the Communist rule and the mystery of Rich’s identity were suddenly revealed. Rich turned out to be Dalton (*Johnny Got His Gun*) Trumbo, one of the original Hollywood Ten writers who refused to testify at the 1947 hearing on Communism in the movie industry. Said producer Frank King who had stoutly insisted that Robert Rich was a young guy in Spain with a beard, ‘We have an obligation to our stockholders to buy the best script we can. Trumbo brought us *The Brave One* and we bought it . . .’ In effect it was the formal end of the Hollywood black list. For barred writers, the informal end came long ago. At least fifteen per cent of current Hollywood films are reportedly written by black list members. Said producer King, ‘There are more ghosts in Hollywood than in Forest Lawn. Every company in town has used the work of black listed people; we’re just the first to confirm what everybody knows.’”

One may believe, as I do, that Communism would destroy all of our freedoms, and one may be opposed to it as firmly and as strongly as possible and yet at the same time also believe that in a free society it is intolerable for a man to be prevented from earning his living because he believes in or is trying to promote Communism. His freedom includes his freedom to promote Communism. The Hollywood black-list is a thoroughly unfree act that destroys freedom. It didn’t work, however, precisely because the market made it costly for people to preserve the black list. The commercial emphasis, the fact that people who are

running enterprises have an incentive to make as much money as they can, protected the freedom of the individuals who were black listed by providing them with an alternative form of employment, and by giving people an incentive to employ them.

“One may believe, as I do, that Communism would destroy all of our freedoms, and one may be opposed to it as firmly and as strongly as possible and yet at the same time also believe that in a free society it is intolerable for a man to be prevented from earning his living because he believes in or is trying to promote Communism.”

If Hollywood and the movie industry had been government enterprises or if in England it had been a question of employment by the BBC it is difficult to believe that the Hollywood Ten or their equivalent would have found employment.

The essential feature of the market which is brought out by these examples, and one could multiply them many fold, is essentially that it separates the economic activities of the individual from his political ideas or activities and in this way provides individuals with an effective support for personal freedom. The person who buys bread doesn’t know whether the wheat from which it was made was grown by a pleader of the 5th Amendment or a McCarthyite, by a person whose skin is black or whose skin is white. The market is an impersonal mechanism that separates economic activities of individuals from their personal characteristics. It enables people to co-operate in the economic realm regardless of any differences of opinion or views or attitudes they may have in other areas. You and I may buy Mennen drug products even though we may think “Soapy” Williams was a terrible governor of the state of Michigan. This is the fundamental way in which a free-market capitalist organization of economic activity promotes personal freedom and political freedom.

Further Information

SOURCE

The edition used for this extract: *New Individualist Review*, editor-in-chief Ralph Raico, introduction by Milton Friedman (Indianapolis: Liberty Fund, 1981). Chapter: Milton Friedman, Capitalism and Freedom. <oll.libertyfund.org/title/2136/195245>.

Copyright: The copyright to this publication is held by Liberty Fund, Inc. The *New Individualist Review* is prohibited for use in any publication, journal, or periodical without written consent of J. M. Cobb, J. M. S. Powell, or David Levy.

FURTHER READING

Other works by Milton Friedman (1912-2007) <oll.libertyfund.org/person/141>.

Subject Area: Economics <oll.libertyfund.org/collection/42>.

“The distinctive principle of Western social philosophy is individualism. It aims at the creation of a sphere in which the individual is free to think, to choose, and to act without being restrained by the interference of the social apparatus of coercion and oppression, the State.”
[Ludwig von Mises, “Liberty and Property” (1958)]



ABOUT THE BEST OF THE OLL

The Best of the Online Library of Liberty is a collection of some of the most important material in the Online Library of Liberty. They are chapter length extracts which have been formatted as pamphlets in **PDF** and **ePub** formats for easier distribution. These extracts are designed for use in the classroom and discussion groups, or material for a literature table for outreach.

Another useful sampling of the contents of the OLL website is the collection of weekly *Quotations about Liberty and Power* which are organized by themes such as Free Trade, Money and Banking, Natural Rights, and so on. See for example, Richard Cobden’s “I have a dream” speech <oll.libertyfund.org/quote/326>.

The full list can be found here <oll.libertyfund.org/title/2465>.

COPYRIGHT AND FAIR USE

The copyright to this material is held by Liberty Fund unless otherwise indicated. It is made available to further the educational goals of Liberty Fund, Inc. and may be used freely for educational and academic purposes. It may not be used in any way for profit.

ABOUT THE OLL AND LIBERTY FUND

The *Online Library of Liberty* is a project of Liberty Fund, Inc., a private educational foundation established in 1960 to encourage the study of the ideal of a society of free and responsible individuals. The OLL website has a large collection of books and study guides about individual liberty, limited constitutional government, the free market, and peace.

Liberty Fund: <www.libertyfund.org>.

OLL: <oll.libertyfund.org>.