

“Free to Choose” by Milton and Rose Friedman

Milton Friedman, PhD. (July 31, 1912- November 16, 2006) was an American economist and 1976 recipient of the Nobel Memorial Prize in Economic Sciences. Although best known as an economist, Friedman was the author of several books, presidential advisor, statistician, and a professor at the University of Chicago for over 30 years.

Friedman was considered one of the most influential economists in modern history. He is credited for restoring interest in the money supply and the quantity theory of money with his first book, *The Monetary History of the United States* (1963). Friedman was a proponent of the monetarist school of economics. It is also well known that he believed in the free-market system, minimal government, legalizing drugs and prostitution for economic reasons, charter schools, and even proposed doing away with professional licensing.

Introduction:

I was impressed by the eye-opening introduction. Friedman basically gives a historical run down of the early United States and the agricultural market that evolved. He explained the founding fathers intentions and their need for economic freedom. How the economic theory of Adam Smith influenced economic and political practice in the U.S. He points out that we have veered away from those ideals of liberty and freedom.

1. The Power of The Market

Friedman gives his viewpoint about the free market, how it relates to individual freedom and some of the basic relationships of the price command system. He is clearly an opponent of government intervention in the market and he gave examples of tyranny and regulation. I was enlightened by his explanation of price and how much information is conveyed in something as simple as the price of a good.

2. The Tyranny of Controls

In this chapter he argues against tariffs. As Adam Smith explained, if another country can produce something cheaper- then buy it from them. Friedman says to let the consumer have the freedom to choose. It seems that some of his suggestions in this chapter have come true since 1979, such as; low tariffs and a globalized economy. Friedman points out the inefficiencies with central planning, how the people are much worse off than a free market economy. Friedman reminds us that our central government is expanding and with that comes loss of economic freedom. Economic freedom lost to government controls leads to other choices being taken.

3. The Anatomy of Crisis

Chapter 3 begins with the origin of the U.S. Federal Reserve and what economic reasons made that necessary. Friedman blames the Great Depression on the newly formed Fed and their failure to provide cash. The stock market crash wasn't the reason for the Depression but rather the Fed's failure to act, and instead of doing some simple things to correct it, the Fed made matters worse. The Fed has only gotten more powerful without any improvement in performance of monetary control. Consumers and even professional economists leaned toward a Keynesian approach to economic stability.

#### 4. Cradle to Grave

The Depression succeeded in changing the minds of Americans about the role of government. Roosevelt expanded the Federal government with programs and the New Deal, this was also the beginning of governments expanded role in economic control. He explains that the Depression brought about the popularity of the welfare state in many countries. Welfare states are plagued with debt, high taxes and eventually go broke. His description actually sounds a lot like our situation currently. Government programs are hit and miss, they seldom accomplish the intended result and have a high rate of failure or making matters worse. I was shocked to find that the U.S. has a regressive tax! The taxes for Social Security are regressive, because the less you make, the higher percentage of your income is withheld. The welfare state spends more money to accomplish less than private firms in a pure market.

#### 5. Created Equal

Friedman writes that our concept of equality has changed in the United States in recent years. Rather than equality for an individual to be treated as an end, the concept has changed to equality of outcome. Friedman maintains that it has become government's job to even the incomes, distribute wealth etc. in the name of equality. Government that promotes equality of opportunity- promotes freedom. Governments that provide equality by distributing fair shares to everyone reduce freedom, for everyone.

#### 6. What's Wrong With Our Schools?

Friedman is not impressed with our broken school system in the U.S. Higher costs and lower quality education provided by the government. Why not turn it over to private firms? Privatize the system; get parents involved by giving them greater control over their child's learning process with vouchers. Friedman explains his concept of school vouchers and how he assumes that would improve the education that our children get. He also suggests vouchers for higher education.

#### 7. Who Protects The Consumer?

Friedman shows us that the purpose that most people think they can depend on government for, is not as solid as it once seemed. Government works in slow, expensive and mysterious ways, even when it comes to protecting consumers. Government politics have become so concerned with protecting where their campaign funds come from, that they are simply no longer working in our best interest. He uses the FDA as an example of a government attempt at protecting the consumer. The FDA is expensive, slow, and inefficient. Friedman argues that regulation and administrations create artificial monopolies that

inflate the cost of goods because there is no competition to bring the prices down. He contends that a free market system will protect consumers better than any government agency or regulation.

#### 8. Who Protects The Worker?

Labor unions don't really protect workers. The only unions that are still growing are the ones for government employees. Unions are typically a group of highly paid tradesman. He points out that these workers would get high wages regardless of whether that worker joined a union or not. Friedman disagrees with any price that isn't determined by the market, this includes labor. Government adds to the problem by protecting unions and once again there is a market failure. Friedman wrote that the two types of workers not protected by the market are the unemployed and the workers that have only one possible employer. Unions are counter-productive and distort markets. In short the best way to protect workers and unemployed is to allow markets to operate without intervention.

#### 9. The Cure For Inflation

Government never takes responsibility for inflation. Inflation happens for monetary reasons, an increase in the money supply. If it were caused by something else it would be an inflated market not a general price level increase. Inflation always gets blamed on something other than the real culprit, which is money supply. The money supply has increased rapidly due to government spending, full employment policy and mistaken policy by the Federal Reserve. The cure would be less monetary growth, less spending by government.

#### 10. The Tide is Turning

The last chapter Friedman recaps on some of his points, mostly about limiting the size and scope of government. The message in chapter 10 is to get organized and make yourself and your opinion heard. I think that since the book was written in 1979, things have only gotten worse. I shudder to think how much larger our government is now than it was then and how much more spending there is today.

I thought "Freedom to Choose" was a great book that opened my eyes to a few things. The one thought I will take away with me is just how powerful the market system is. It is almost like a naturally occurring phenomenon; well actually that is exactly how I would describe it. I also liked his explanation of the amount of information is actually being communicated through a price.

