

[16] Friedman Conversation 10-28-04

From: Milton Friedman
To: Gordon Brown
Subject: Re: Individualism and Free Market
Date: Thursday, October 28, 2004 1:25 PM

Milton Friedman's remarks are highlighted in red.

Dr. Friedman,

Here is my **Step #4: Linking Individualism and Free Market.**

An Advanced Organizer

I have written over 20 drafts addressing Step #4—all too long (more than 4 pages) and all too pedantic sounding. Reduction became distillation, and distillation gave rise to two separate ideas: (1) linking individualism and the free market, and (2) resistance to individualism. As I now see it, the way to understand (a) the difficulty of linking individualism and the free market is to (b) first appreciate the nature of the popular resistance to individualism; and to appreciate the nature of the resistance to individualism, it is first necessary to grasp the dynamics of the empirical perspective upon which it is based. How I will approach this task is to briefly describe (a) the linking and then (b) the resistance, while expressing my belief that what comes later will clarify what came before. I have provided an attachment where I have addressed (c) the dynamics of the empirical perspective. This 16-page attachment is a copy of the first chapter of a book Claudia and I are working on (our second full draft)--pages 7-8, "absolute and relative models" being of particular relevance to the points being made here. While this book has no mention of economics (that I recall), I do appreciate this opportunity to communicate with you and, in so doing, to clarify my own thinking on the matter of individualism.

(1) Linking Individualism and the Free Market

Thanks to the efforts of past contributors, the linking task is not conceptually difficult. As for a "friendly-to-the-layman" description of the free-market economy, there is a general public consensus that the writings of Milton Friedman satisfy this objective. For me, all that is needed is a description of individualism that can be easily coupled with it.

Fortunately, we have it; and, what's more, it can be seen as the springboard giving rise to the free-market concept. I am referring to those circa 18th Century thinkers including Locke, Hume, Berkeley, and Kant, who became known as empiricists. As I see it, their formulations provided the basis for a concept of individualism. In a nutshell, they put forth the thesis that human experience is limited to personal perceptions; and conversely,

knowledge of the characteristics of some external world of physical reality is unobtainable within the confines of human experience. The consequence of this position is that the only world anyone can know is one that is unique and private to each individual. For the critics, it was noted that similarities of experience can be assumed to result from persons having similar sensory systems and environmental exposures; however, such experiences are not identical and they never reveal anything about the characteristics of an external reality.

(1) I take it we agree that there is an external reality. (2) I take it we agree that although individuals can never know for certain about external reality, their personal observations enable them to formulate a hypothesis about the characteristics of that external reality. It can enable them to go further and act upon that hypothesis. That does mean that all hypotheses about external reality are tentative and uncertain, but it does not mean they don't exist.

Anyone can review these arguments and find upon serious examination that the empiricists' argument becomes increasingly self-evident, while the former or traditional argument—of discovering the truth about reality as it exists independently of the individual perceiver—becomes exposed as erroneous and critically flawed.

For those in the debate, it was clear that the two perspectives—the traditional truth-seeking perspective and the empiricists' individual perception perspective—were logically contradictory. And, as what typically happens, each attracted cohorts of similar persuasions:

(A) As for the traditional belief in a knowable external reality, the ideological cohorts include: determinism, socialism, and cause-and-effect. Practitioners include “philosopher-king” types such as Plato, and those “truth-seeking” advocates common to many university campuses. It would seem to follow that those claiming to have the truth would be inclined to impose the implications of that truth upon the citizenry, including centrally-controlled economic practices.

There seem to be three categories of believers here: (1) believers that there is a normal external reality and they know it; (2) people who believe that there is a normal external reality but they do not know it; (3) people who believe that there is an external reality but that they do not and cannot know it. Only the first of these three categories would be inclined to try to impose their knowledge upon their fellows. And even all of them might not be, depending on the character of their belief about the external reality. I believe it is misleading to use the term "the doctrine of truth" to refer only to the first of these three categories.

(B) As for the contention that empiricism is the exclusive basis for describing human experience, the ideological cohorts include: free will, individualism, and choice. Practitioners include the before-mentioned empiricists (Locke, et al.), existentialists such as Jean Paul Sartre and Franz Kafka, and social-contract theorists such as Rousseau. It would seem to follow that those who would reject the doctrine of truth and embrace the

concept of individual perceptions would be committed to maximizing individual freedom, including a free-market economy.

I believe there is a non-knowable doctrine of truth which I am trying to know but I do not believe that I can ever really know it.

Given the inherent weakness of the traditional approach, we would expect the traditional to morph rather quickly into the empirical perspective, as occurred between the flat- vs. round-world debate and the geocentric vs. heliocentric debate. “Quickly” may be in the eyes of the beholder, but there does seem to be an inordinate amount of unexplained resistance for changing from the erroneous traditional perspective to the virtually self-evident empirical perspective.

To summarize (1), as I see it, when our society becomes receptive to the empirical perspective, individualism will quickly follow as a natural consequence, and so will a free-market philosophy.

You are an optimist. The resistance to free markets is not primarily philosophical. It is that it is in the self-interest of people, acting separately and individually, to try to achieve power over other people in any way they can. In an enforced free market, providing service to other people is the only way they can. In the political market the situation is very different.

(2) Resistance to Individualism

Unfortunately, unless there is some fortuitous event, it looks like the debate will continue for another hundred years. In its present form, the debate is not so much between the two positions, but rather between blends of the two positions. Even people of good-will seem to balk; while acknowledging the erroneous assumptions imbedded in the traditional perspective, they just can't let go. Such a mixing of these two contradictory perspectives is the worst-case scenario. Neither position gets tested. Discussions simply lead to unstable and uncomfortable standoffs—intellectual gridlocks.

To summarize (2), as I see it, the fundamental obstruction is not the availability of the individualism and free-market concepts, the obstruction is the resistance to serious consideration of the empirical perspective. I have some thoughts as to the reasons society continues to cling to the discredited vestiges of the traditional approach and, consequently, are not free to fully embrace the empirical perspective. However, that is another topic for another time.

Gordon

P.S. Step #5, the last in this series, I anticipate will be completed in about 1-2 weeks and will address the matter of a school curriculum that is consistent with individualism. I was intrigued by a recent WSJ quote attributed to a Fellow at Hoover describing the objective

of the voucher program. I will also address that quote and my perspective on its implications.