

[27] Friedman Conversation—5-26-05

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From: Gordon Brown  
To: Milton Friedman  
Subject: The Conversation -- My Closing Summary and Conclusions  
Date: Thursday, May 26, 2005 9:05 AM

Dr. Milton Friedman,

FROM THE BEGINNING of our conversation, the objective has been to "link individualism and the free market." When we first met, during a conference at Stanford University's Hoover Institute, I asked if you agreed that individualism (individual dignity) was the basis for supporting a free market. You agreed, and I asked how you had arrived at your preference for individualism. You said that you had no idea-never thought about it-just always believed in it; and you suggested that I "ask Rose," who was standing beside me. I became intrigued.

Later, I described to you how my spouse and I were constructing a web site dedicated to the topic of individualism. The site would provide a research archive and a forum for members of the public wishing to address the topic of individualism. As a celebrated advocate of a free market, your views on "individualism and the free market" could make a significant contribution to the web site's public debate. I was delighted when you agreed to meet and discuss the matter. So began our "conversation" on linking individualism and the free market.

Our communications have now spanned a year, and we have agreed that this may be an appropriate time to synthesize and wrap it up. As I see it, we have addressed two diametrically opposed doctrines (teachings) with respect to human experience. They can be aptly termed "collectivism" and "individualism." My primary task throughout this conversation has been to define (and redefine) these terms for the purpose of linking each with its respective economic system. What follows are my present thoughts, which I have organized around three basic points: (1) collectivism and a centrally controlled market; (2) individualism and a free market; and (3) my comments on three loose ends. ("As I see it" is a qualifying phrase to be implied for each and all of the following statements.)

**First point:** "Collectivism" can be seen as a traditional doctrine. It was in place at the time when the doctrine of individualism formally sought to replace it-about 200 years ago. Simply stated, collectivism can be seen as a teaching built on a philosophical assumption of knowable truths applicable to everyone, and to which everyone and everything is subject-one truth, one people.

Cause-and-effect thinking (causation) can be seen as a critical pillar supporting the notion of knowable external truths. While the observation of change would seem to dispel the

notion of absolute truths, a belief in causation could revive it. That is, change can be seen as a series of "cause and effect" events. As in a domino effect, what came before "caused" what is happening now, and what is happening now will "cause" what happens next. Knowing the truth is to know (or approximate) the unchanging dynamics that are guiding those cause-and-effect events.

What makes collectivism significant to human behavior is the assumption that through observation (physical), inspiration (mental), and/or revelation (spiritual), the truth can be discovered (approximated or known in part). Like the parts of a puzzle, knowledge of individual cause-and-effect events can be combined to form an increasingly refined and complete portrait of the absolute truth. Most significantly, it is thought that some people have more knowledge about some aspects of the truth than others.

Once it is assumed that some people have more knowledge of truth than others, it can be seen to follow logically that those who are more informed should serve as leaders over the rest of us, for the purpose of maximizing the common good. Said another way, the brightest among us are more able (at least with respect to their specialties) to illuminate the path leading to good consequences and away from bad consequences. We can note that it was once thought that those who were physically strongest were most able to lead; then there was the notion that some combination of God and heredity ordained the most able; and more recently, there is the practice of using democratic-type procedures to select those who are thought to be most qualified to lead.

Economically, here is the collectivists' bottom line: From a "knowable external truth" perspective, it can be seen to follow logically that a centrally controlled economy, run by those thought to be the most able among us, would best serve the common good. This brings me to my next point-individualism, an alternative to collectivism.

**Second point:** The "individualism" to which I have been referring in this conversation is that which has been formally developed over the last 200 years by the likes of British Empiricists such as David Hume and George Berkeley, and Existentialists such as Soren Kierkegaard and Jean-Paul Sartre. Simply stated, the doctrine of individualism is the teaching that "I am an individual"-nothing more, and nothing less. All anyone has are h/er personal and constantly changing perceptions. Such is the dignity (status) of every person.

What makes individualism significant to human behavior is the often accompanying belief in "free will." That is, individuals can be seen as typically confronted with alternatives from which there appears to be choices that must be made, but without any requisite basis for choosing one alternative over another. Choices made under such conditions are said to be acts of free will. The capacity to engage in free-will choices is generally thought to be characteristic only of individuals-groups do not make decisions except through some combination of individual choices. Being "free to choose" is uniquely human-and unique to each individual. As such, humans can be seen as distinct from an otherwise materialistic and deterministic description of Nature.

Logically consistent with a belief in free will and self determination, a doctrine of individualism would advocate a public policy seeking to maximize every individual's freedom of association-that is, to maximize the right of every individual to associate with whomever and whatever s/he chooses under conditions of mutual agreement.

Economically, here is the individualists' bottom line: A free-market economy would be a logical application of a public policy which advocates the right of free association to every individual. Individual rights, in turn, are a logical extension of the contention that human experience is always relative to the personal and changing perceptions of each individual.

Dr. Friedman, many of your basic contentions can be seen as consistent with the above description of individualism and a free-market economy. What's more, over the years, you have expressed a passion for individual dignity that has inspired and fortified multitudes of people worldwide.

Now, as I attempt to bring a close to this task of linking individualism with a free-market economic policy, I still have three notable loose ends regarding your perspective on the free market. Briefly commenting on these three topics brings me to my last point.

**Third point:** The three loose ends to which I refer are as follows: (A) holding a belief in causation but not necessarily determinism; (B) assuming the primacy of economic self interest over other self interests; and (C) the significance of Adam Smith's "invisible hand" metaphor. The following commentary is intended to serve as an invitation for public debate on the matter of linking individualism and a free-market economy.

(A) **Does a belief in causation presume a belief in determinism?**

The concept of determinism is simply a logical extension of causation. Combining cause-and-effect events defines determinism--it's a part-whole relationship. Furthermore, the notion of causation becomes particularly significant when combined with the idea of a "first cause."

To make causation work, truth advocates frequently advance the notion of a "first cause" or "prime mover"-otherwise, you have an endless series of cause-and-effect events with no sense of a beginning purpose or direction. Arguably, a sense of purpose or direction is the primary motivation for assuming the existence of knowable truth in the first place. Within this context, there is the presumption that everything that happens is predetermined and predestined from an initial cause, and this gives rise to an all encompassing notion of determinism or sense of purpose. Taken together, the concepts of absolute truth, determinism, causation, and collectivism can be seen as complementary and logically consistent with each other. Any one of these concepts can be linked reasonably to the others.

(B) **Does an economic self interest take priority over other self interests in human behavior?**

An economic self interest may be neither the sole, nor even the dominant, self interest guiding human behavior. There are choices that are not easily subsumed under an economic rubric. For example, a personal economic self interest does not appear to be primary when decisions are made to protect (a) a rain forest from destruction, (b) endangered species from extinction, (c) the interests of the defenseless, and/or (d) the interests of future generations.

Also, as a matter of observation, power over others may be a stronger self interest than an economic self interest; and a self interest in personal integrity may triumph over either a power or an economic self interest. For sure, economic interest may require satisfaction at some minimal level, but it may never be sufficient to generate by itself either a belief in free will or a corresponding doctrine of individualism.

On a separate note, it can be seen that an assumption holding to the primacy and sufficiency of economic self interest in human affairs is contrary to the principle of individual freedom. If an economic self interest were the only significant player, it can be seen that there are those whose self interest could be served best by some combination of cartels, slavery, compulsory union membership, and theft-any one of which would be inconsistent with the notion of individual freedom.

From the above-cited perspective, the recommendation would be for free-market advocates to cultivate a preference for individualism-step by step-as they seek to implement a free-market economy. It is not enough to simply resist big government; what is necessary is to actively promote a government that is dedicated to preserving the rights of every citizen to "life, liberty and the pursuit of happiness." In a word, a government committed to individualism. And, from a commitment to individualism, a free-market economic system would naturally evolve.

**(C) Does Adam Smith's "invisible hand" metaphor presume determinism?**

I think so. As I understand Smith's metaphor: If every individual were "free to choose" according to h/er own self interests, the result would be an efficient economy-at least more efficient than a centrally controlled economy. Among the reasons it would be efficient is that, in the big picture, those "choices" are "caused" by a predetermined coordinating program referred to as "the invisible hand." That is, the individual is not free (as in individualism); but if left to act without external coercion, each individual would carry out a predetermined, internal program of self interest. The individual need not be aware of the program guiding h/er choices, but will necessarily act in accordance with that predetermined program. Adam Smith was not arguing that the individual is free, but only that the individual is best left alone. Again-if left alone, Adam Smith argued that each individual will be guided, not by a free will, but by an "invisible hand" that is deterministically programmed so as to "cause" the most beneficial economic result. For clarity, I would describe Adam Smith's view as advocating that the individual be "left alone to choose" rather than being "free to choose."

## A COUPLE OF CONCLUDING REMARKS

I find it useful to distinguish between the different levels of generalization when comparing concepts. Looking back at our conversation, I would now make the following distinctions-going from general to specific:

| Level of Generalization and Distinguishing Concepts |        |                       |                    |
|---|--------|-----------------------|--------------------|
| Level   | /      | Concepts              |                    |
| Philosophy  |        |                       |                    |
| absolute truths                                     | versus | relative              | perceptions        |
| Belief  |        |                       |                    |
| causation & determinism                             | versus | free will &           | self determination |
| Doctrine  |        |                       |                    |
| collectivism  | versus | individualism         |                    |
| Public Policy                                       |        |                       |                    |
| central control                                     | versus | individual freedom to | choose             |
| Application   |        |                       |                    |
| economic central control                            | versus | free markets          |                    |

Regarding the above table, an absolute philosophy would assume knowledge of external truths applicable to everyone; while a relative philosophy would define human experience as limited to the changing perceptions unique to each individual. Also, it can be noted that the former concepts in each comparison can be seen as logically consistent with each other, as can the latter concepts with each other. However, a logical contradiction is created if the two opposing sets of concepts are mixed. And furthermore, while we did not use the terms "socialism" and "capitalism," their common usage can be seen as approximating the concepts of collectivism and individualism, respectively.

Dr. Friedman, any comments you may choose to make in regard to the above cited points would help to increase the intellectual integrity and my understanding of the link presented here connecting individualism and the free market. Whether here or elsewhere, comments by you addressing this link could contribute significantly to the rational empowerment exercised by free-market advocates as they seek to influence public policy.

I shall close with a comment I have made several times--I greatly appreciate your sharing your thoughts with me. My appreciation stems from the opportunity you have provided me to test my perceptions from the vantage point of your perspective. In your doing so, I have been able to choose among the alternatives raised and thereby advance the ongoing process of establishing my own personal beliefs and identity.

Best wishes,  
Gordon