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CAPITALISM AND FREEDOM

CAPITALISM AND FREEDOM

40th Anniversary Edition

With a new Preface by the Author

MILTON FRIEDMAN

WITH THE ASSISTANCE OF ROSE D. FRIEDMAN

The University of Chicago Press
Chicago and London

TO
JANET and DAVID
AND THEIR CONTEMPORARIES
WHO MUST CARRY THE TORCH OF LIBERTY
ON ITS NEXT LAP

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Chapter I



The Relation between Economic Freedom and Political Freedom

IT IS WIDELY BELIEVED that politics and economics are separate and largely unconnected; that individual freedom is a political problem and material welfare an economic problem; and that any kind of political arrangements can be combined with any kind of economic arrangements. The chief contemporary manifestation of this idea is the advocacy of "democratic socialism" by many who condemn out of hand the restrictions on individual freedom imposed by "totalitarian socialism" in Russia, and who are persuaded that it is possible for a country to adopt the essential features of Russian economic arrangements and yet to ensure individual freedom through political arrangements. The

thesis of this chapter is that such a view is a delusion, that there is an intimate connection between economics and politics, that only certain combinations of political and economic arrangements are possible, and that in particular, a society which is socialist cannot also be democratic, in the sense of guaranteeing individual freedom.

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. 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 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 of special attention. For most citizens of the country, however, if not for the intellectual, the direct importance of economic freedom is at least comparable in significance to the indirect importance of economic freedom as a means to political freedom.

The citizen of Great Britain, who after World War II was not permitted 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 because 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 per cent 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 personal freedom. How strongly this deprivation may be felt and its closeness to the deprivation of religious freedom, which all would regard as "civil" or "political" rather than "economic", were dramatized by an episode involving a group of farmers of the Amish sect. On grounds of principle, this group

regarded compulsory federal old age programs as an infringement of their personal individual freedom and refused to pay taxes or accept benefits. As a result, some of their livestock were sold by auction in order to satisfy claims for social security levies. True, the number of citizens who regard compulsory old age insurance as a deprivation of freedom may be few, but the believer in freedom has never counted noses.

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 is the man who would like to exchange some of his goods with, say, a Swiss for a watch but is prevented from doing so by a quota. So also is the Californian who was thrown into jail for selling Alka Seltzer at a price below that set by the manufacturer under so-called "fair trade" laws. So also is the farmer who cannot grow the amount of wheat he wants. And so on. Clearly, economic freedom, in and of itself, is an extremely important part of total freedom.

Viewed as a means to the end of political freedom, economic arrangements are important because of their effect on the concentration or dispersion of power. 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.

Historical evidence speaks with a single voice on the relation between political freedom and a free market. I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize 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 typical state of mankind is tyranny, servitude, and misery. 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. So also did political freedom in the golden age of Greece and in the early days of the Roman era.

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

Even in those societies, 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 Tzars, it was possible for some citizens, under some circumstances, to change their jobs without getting permission from political authority because capitalism and the existence of private property provided some check to the centralized power of the state.

The relation between political and economic freedom is complex and by no means unilateral. In the early nineteenth century, Bentham and the Philosophical Radicals were inclined to regard political freedom as a means to economic freedom. They believed that the masses were being hampered by the restrictions that were being imposed upon them, and 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, one cannot 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*. An enormous increase in the well-being of the masses followed this change in economic arrangements.

The triumph of Benthamite liberalism in nineteenth-century England was followed by a reaction toward increasing intervention by government in economic affairs. This tendency to collectivism was greatly accelerated, both in England and elsewhere, by the two World Wars. Welfare rather than freedom be-

came the dominant note in democratic countries. Recognizing the implicit threat to individualism, the intellectual descendants of the Philosophical Radicals—Dicey, Mises, Hayek, and Simons, to mention only a few—feared that a continued movement toward centralized control of economic activity would prove *The Road to Serfdom*, as Hayek entitled his penetrating analysis of the process. Their emphasis was on economic freedom as a means toward political freedom.

Events since the end of World War II display still a different relation between economic and political freedom. Collectivist economic planning has indeed interfered with individual freedom. At least in some countries, however, the result has not been the suppression of freedom, but the reversal of economic policy. England again provides the most striking example. The turning point was perhaps the “control of engagements” order which, despite great misgivings, the Labour party found it necessary to impose in order to carry out its economic policy. Fully enforced and carried through, the law would have involved centralized allocation of individuals to occupations. This conflicted so sharply with personal liberty that it was enforced in a negligible number of cases, and then repealed after the law had been in effect for only a short period. Its repeal ushered in a decided shift in economic policy, marked by reduced reliance on centralized “plans” and “programs”, by the dismantling of many controls, and by increased emphasis on the private market. A similar shift in policy occurred in most other democratic countries.

The proximate explanation of these shifts in policy is the limited success of central planning or its outright failure to achieve stated objectives. However, this failure is itself to be attributed, at least in some measure, to the political implications of central planning and to an unwillingness to follow out its logic when doing so requires trampling rough-shod on treasured private rights. It may well be that the shift is only a temporary interruption in the collectivist trend of this century. Even so, it illustrates the close relation between political freedom and economic arrangements.

Historical evidence by itself can never be convincing. Perhaps it was sheer coincidence that the expansion of freedom occurred

at the same time as the development of capitalist and market institutions. Why should there be a connection? What are the logical links between economic and political freedom? In discussing these questions we shall consider first the market as a direct component of freedom, and then the indirect relation between market arrangements and political freedom. A by-product will be an outline of the ideal economic arrangements for a free society.

As liberals, we take freedom of the individual, or perhaps the family, as our 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," and he has only a limited number of alternatives, but there is no problem of freedom in the sense that is relevant to our discussion. Similarly, in a society freedom has nothing to say about what an individual does with his freedom; it is not an all-embracing ethic. Indeed, a major aim of the liberal 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 he should do with his freedom. There are thus two sets of values that a liberal will emphasize — the values that are 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.

The liberal conceives of men as imperfect beings. He regards the problem of social organization to be as much a negative problem of preventing "bad" people from doing harm as of enabling "good" people to do good; and, of course, "bad" and "good" people may be the same people, depending on who is judging them.

The basic problem of social organization is how to co-ordinate the economic activities of large numbers of people. Even in relatively backward societies, extensive division of labor and specialization of function is required to make effective use of available resources. In advanced societies, the scale on which co-

ordination is needed, to take full advantage of the opportunities offered by modern science and technology, is enormously greater. Literally millions of people are involved in providing one another with their daily bread, let alone with their yearly automobiles. The challenge to the believer in liberty is to reconcile this widespread interdependence with individual freedom.

Fundamentally, there are only two ways of co-ordinating the economic activities of millions. One is central direction involving the use of coercion — the technique of the army and of the modern totalitarian state. The other is voluntary co-operation of individuals — the technique of the market place.

The possibility of co-ordination through voluntary co-operation rests on the elementary — yet frequently denied — proposition that both parties to an economic transaction benefit from it, *provided the transaction is bi-laterally voluntary and informed.*

Exchange can therefore bring about co-ordination without coercion. A working model of a society organized through voluntary exchange is a *free private enterprise exchange economy* — what we have been calling competitive capitalism.

In its simplest form, such a society consists of a number of independent households — a collection of Robinson Crusoes, as it were. Each household uses the resources it controls to produce goods and services that it exchanges for goods and services produced by other households, on terms mutually acceptable to the two parties to the bargain. It is thereby enabled to satisfy its wants indirectly by producing goods and services for others, rather than directly by producing goods for its own immediate use. The incentive for adopting this indirect route is, of course, the increased product made possible by division of labor and specialization of function. 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.

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 service 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 acts of purchase and of sale to be separated into two parts.

Despite the important role of enterprises and of money in our actual economy, and despite the numerous and complex problems they raise, the central characteristic of the market technique of achieving co-ordination is fully displayed in the simple exchange economy that contains neither enterprises nor money. As in that 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.

It is far easier to state these provisos in general terms than to spell them out in detail, or to specify precisely the institutional arrangements most conducive to their maintenance. Indeed, much of technical economic literature is concerned with precisely these questions. The basic requisite is the maintenance of law and order to prevent physical coercion of one individual by another and to enforce contracts voluntarily entered into, thus giving substance to "private". Aside from this, perhaps the most difficult problems arise from monopoly—which inhibits effective freedom by denying individuals alternatives to the particular exchange—and from "neighborhood effects"—effects on third parties for which it is not feasible to charge or recompense them. These problems will be discussed in more detail in the following chapter.

So long as effective freedom of exchange is maintained, the central feature of the market organization of economic activity is that it prevents one person from interfering with another in respect of most of his activities. The consumer is protected from coercion by the seller because of the presence of other sellers with whom he can deal. The seller is protected from coercion by the consumer because of other consumers to whom he can sell. The employee is protected from coercion by the employer because of

other employers for whom he can work, and so on. And the market does this impersonally and without centralized authority.

Indeed, a major source of objection to a free economy is precisely that it does this task so well. It gives people what they want instead of what a particular group thinks they ought to want. Underlying most arguments against the free market is a lack of belief in freedom itself.

The existence of a free market does not of course eliminate the need for government. On the contrary, government is essential both as a forum for determining the "rules of the game" and as an umpire to interpret and enforce the rules decided on. What the market does is to reduce greatly the range of issues that must be decided through political means, and thereby to minimize the extent to which government need participate directly in the game. The characteristic feature of action through political channels is that it tends to require or enforce substantial conformity. The great advantage of the market, on the other hand, is that it permits wide diversity. It is, in political terms, a system of proportional representation. Each man can vote, as it were, for the color of tie he wants and get it; he does not have to see what color the majority wants and then, if he is in the minority, submit.

It is this feature of the market that we refer to when we say that the market provides economic freedom. But this characteristic also has implications that go far beyond the narrowly economic. Political freedom means the absence of coercion of a man by his fellow men. The fundamental threat to freedom is power to coerce, be it in the hands of a monarch, a dictator, an oligarchy, or a momentary majority. The preservation of freedom requires the elimination of such concentration of power to the fullest possible extent and the dispersal and distribution of whatever power cannot be eliminated—a system of checks and balances. By removing the organization of economic activity from the control of political authority, the market eliminates this source of coercive power. It enables economic strength to be a check to political power rather than a reinforcement.

Economic power can be widely dispersed. There is no law of conservation which forces the growth of new centers of eco-

conomic strength to be at the expense of existing centers. Political power, on the other hand, is more difficult to decentralize. There can be numerous small independent governments. But it is far more difficult to maintain numerous equipotent small centers of political power in a single large government than it is to have numerous centers of economic strength in a single large economy. There can be many millionaires in one large economy. But can there be more than one really outstanding leader, one person on whom the energies and enthusiasms of his countrymen are centered? If the central government gains power, it is likely to be at the expense of local governments. There seems to be something like a fixed total of political power to be distributed. Consequently, if economic power is joined to political power, concentration seems almost inevitable. On the other hand, if economic power is kept in separate hands from political power, it can serve as a check and a counter to political power.

The force of this abstract argument can perhaps best be demonstrated by example. Let us consider first, a hypothetical example that may help to bring out the principles involved, and then some actual examples from recent experience that illustrate the way in which the market works to preserve political freedom.

One feature of a free society is surely the freedom of individuals to advocate and propagandize openly for a radical change in the structure of the society — so long as the advocacy is restricted to persuasion and does not include force or other forms of coercion. It is a mark of the political freedom of a capitalist society that men can openly advocate and work for socialism. Equally, political freedom in a socialist society would require that men be free to advocate the introduction of capitalism. How could the freedom to advocate capitalism be preserved and protected in a socialist society?

In order for men to advocate anything, they must in the first place be able to earn a living. This already raises a problem in a socialist society, since all jobs are under the direct control of political authorities. It would take an act of self-denial whose difficulty is underlined by experience in the United States after World War II with the problem of "security" among Federal

employees, for a socialist government to permit its employees to advocate policies directly contrary to official doctrine.

But let us suppose this act of self-denial to be achieved. For advocacy of capitalism to mean anything, the proponents must be able to finance their cause — to hold public meetings, publish pamphlets, buy radio time, issue newspapers and magazines, and so on. How could they raise the funds? There might and probably would be men in the socialist society with large incomes, perhaps even large capital sums in the form of government bonds and the like, but these would of necessity be high public officials. It is possible to conceive of a minor socialist official retaining his job although openly advocating capitalism. It strains credulity to imagine the socialist top brass financing such “subversive” activities.

The only recourse for funds would be to raise small amounts from a large number of minor officials. But this is no real answer. To tap these sources, many people would already have to be persuaded, and our whole problem is how to initiate and finance a campaign to do so. Radical movements in capitalist societies have never been financed this way. They have typically been supported by a few wealthy individuals who have become persuaded — by a Frederick Vanderbilt Field, or an Anita McCormick Blaine, or a Corliss Lamont, to mention a few names recently prominent, or by a Friedrich Engels, to go farther back. This is a role of inequality of wealth in preserving political freedom that is seldom noted — the role of the patron.

In a capitalist society, it is only necessary to convince a few wealthy people to get funds to launch any idea, however strange, and there are many such persons, many independent foci of support. And, indeed, it is not even necessary to persuade people or financial institutions with available funds of the soundness of the ideas to be propagated. It is only necessary to persuade them that the propagation can be financially successful; that the newspaper or magazine or book or other venture will be profitable. The competitive publisher, for example, cannot afford to publish only writing with which he personally agrees; his touchstone must be the likelihood that the market will be large enough to yield a satisfactory return on his investment.

In this way, the market breaks the vicious circle and makes it possible ultimately to finance such ventures by small amounts from many people without first persuading them. There are no such possibilities in the socialist society; there is only the all-powerful state.

Let us stretch our imagination and suppose that a socialist government is aware of this problem and is composed of people anxious to preserve freedom. Could it provide the funds? Perhaps, but it is difficult to see how. It could establish a bureau for subsidizing subversive propaganda. But how could it choose whom to support? If it gave to all who asked, it would shortly find itself out of funds, for socialism cannot repeal the elementary economic law that a sufficiently high price will call forth a large supply. Make the advocacy of radical causes sufficiently remunerative, and the supply of advocates will be unlimited.

Moreover, freedom to advocate unpopular causes does not require that such advocacy be without cost. On the contrary, no society could be stable if advocacy of radical change were costless, much less subsidized. It is entirely appropriate that men make sacrifices to advocate causes in which they deeply believe. Indeed, it is important to preserve freedom only for people who are willing to practice self-denial, for otherwise freedom degenerates into license and irresponsibility. What is essential is that the cost of advocating unpopular causes be tolerable and not prohibitive.

But we are not yet through. In a free market society, it is enough to have the funds. The suppliers of paper are as willing to sell it to the *Daily Worker* as to the *Wall Street Journal*. In a socialist society, it would not be enough to have the funds. The hypothetical supporter of capitalism would have to persuade a government factory making paper to sell to him, the government printing press to print his pamphlets, a government post office to distribute them among the people, a government agency to rent him a hall in which to talk, and so on.

Perhaps there is some way in which one could overcome these difficulties and preserve freedom in a socialist society. One cannot say it is utterly impossible. What is clear, however, is that there are very real difficulties in establishing institutions that

will effectively preserve the possibility of dissent. 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 practical example of these abstract principles is the experience of Winston Churchill. From 1933 to the outbreak of World War II, Churchill was not permitted to talk over the British radio, which was, of course, a government monopoly administered by the British Broadcasting Corporation. Here was a leading citizen of his country, a Member of Parliament, a former cabinet minister, a man who was desperately trying by every device possible to persuade his countrymen to take steps to ward off the menace of Hitler's Germany. He was not permitted to talk over the radio to the British people because the BBC was a government monopoly and his position was too "controversial".

Another striking example, reported in the January 26, 1959 issue of *Time*, has to do with the "Blacklist Fadeout". 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 *The Brave One*, he never stepped forward. Robert Rich was a pseudonym, masking one of about 150 writers . . . blacklisted by the industry since 1947 as suspected Communists or fellow travelers. The case was particularly embarrassing because the Motion Picture Academy had barred any Communist or Fifth Amendment pleader from Oscar competition. Last week both the Communist rule and the mystery of Rich's identity were suddenly rescripted.

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 hearings 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 15% of cur-

rent Hollywood films are reportedly written by blacklist members. Said Producer King, "There are more ghosts in Hollywood than in Forest Lawn. Every company in town has used the work of blacklisted 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, 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 making voluntary arrangements with others that are mutually attractive because he believes in or is trying to promote communism. His freedom includes his freedom to promote communism. Freedom also, of course, includes the freedom of others not to deal with him under those circumstances. The Hollywood blacklist was an unfree act that destroys freedom because it was a collusive arrangement that used coercive means to prevent voluntary exchanges. It didn't work precisely because the market made it costly for people to preserve the blacklist. 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 blacklisted by providing them with an alternative form of employment, and by giving people an incentive to employ them.

If Hollywood and the movie industry had been government enterprises or if in England it had been a question of employment by the British Broadcasting Corporation it is difficult to believe that the "Hollywood Ten" or their equivalent would have found employment. Equally, it is difficult to believe that under those circumstances, strong proponents of individualism and private enterprise—or indeed strong proponents of any view other than the status quo—would be able to get employment.

Another example of the role of the market in preserving political freedom, was revealed in our experience with McCarthyism. Entirely aside from the substantive issues involved, and the merits of the charges made, what protection did individuals, and in particular government employees, have against irresponsible accusations and probings into matters that it went against their conscience to reveal? Their appeal to the Fifth Amendment

would have been a hollow mockery without an alternative to government employment.

Their fundamental protection was the existence of a private-market economy in which they could earn a living. Here again, the protection was not absolute. Many potential private employers were, rightly or wrongly, averse to hiring those pilloried. It may well be that there was far less justification for the costs imposed on many of the people involved than for the costs generally imposed on people who advocate unpopular causes. But the important point is that the costs were limited and not prohibitive, as they would have been if government employment had been the only possibility.

It is of interest to note that a disproportionately large fraction of the people involved apparently went into the most competitive sectors of the economy — small business, trade, farming — where the market approaches most closely the ideal free market. No one who buys bread knows whether the wheat from which it is made was grown by a Communist or a Republican, by a constitutionalist or a Fascist, or, for that matter, by a Negro or a white. This illustrates how an impersonal market separates economic activities from political views and protects men from being discriminated against in their economic activities for reasons that are irrelevant to their productivity — whether these reasons are associated with their views or their color.

As this example suggests, the groups in our society that have the most at stake in the preservation and strengthening of competitive capitalism are those minority groups which can most easily become the object of the distrust and enmity of the majority — the Negroes, the Jews, the foreign-born, to mention only the most obvious. Yet, paradoxically enough, the enemies of the free market — the Socialists and Communists — have been recruited in disproportionate measure from these groups. Instead of recognizing that the existence of the market has protected them from the attitudes of their fellow countrymen, they mistakenly attribute the residual discrimination to the market.

Chapter II



The Role of Government in a Free Society

A COMMON OBJECTION to totalitarian societies is that they regard the end as justifying the means. Taken literally, this objection is clearly illogical. If the end does not justify the means, what does? But this easy answer does not dispose of the objection; it simply shows that the objection is not well put. To deny that the end justifies the means is indirectly to assert that the end in question is not the ultimate end, that the ultimate end is itself the use of the proper means. Desirable or not, any end that can be attained only by the use of bad means must give way to the more basic end of the use of acceptable means.

To the liberal, the appropriate means are free discussion and voluntary co-operation, which implies that any form of coercion is inappropriate. The ideal is unanimity among responsible indi-

viduals achieved on the basis of free and full discussion. This is another way of expressing the goal of freedom emphasized in the preceding chapter.

From this standpoint, the role of the market, as already noted, is that it permits unanimity without conformity; that it is a system of effectively proportional representation. On the other hand, the characteristic feature of action through explicitly political channels is that it tends to require or to enforce substantial conformity. The typical issue must be decided "yes" or "no"; at most, provision can be made for a fairly limited number of alternatives. Even the use of proportional representation in its explicitly political form does not alter this conclusion. The number of separate groups that can in fact be represented is narrowly limited, enormously so by comparison with the proportional representation of the market. More important, the fact that the final outcome generally must be a law applicable to all groups, rather than separate legislative enactments for each "party" represented, means that proportional representation in its political version, far from permitting unanimity without conformity, tends toward ineffectiveness and fragmentation. It thereby operates to destroy any consensus on which unanimity with conformity can rest.

There are clearly some matters with respect to which effective proportional representation is impossible. I cannot get the amount of national defense I want and you, a different amount. With respect to such indivisible matters we can discuss, and argue, and vote. But having decided, we must conform. It is precisely the existence of such indivisible matters—protection of the individual and the nation from coercion are clearly the most basic—that prevents exclusive reliance on individual action through the market. If we are to use some of our resources for such indivisible items, we must employ political channels to reconcile differences.

The use of political channels, while inevitable, tends to strain the social cohesion essential for a stable society. The strain is least if agreement for joint action need be reached only on a limited range of issues on which people in any event have common views. Every extension of the range of issues for which explicit agreement is sought strains further the delicate threads that hold

society together. If it goes so far as to touch an issue on which men feel deeply yet differently, it may well disrupt the society. Fundamental differences in basic values can seldom if ever be resolved at the ballot box; ultimately they can only be decided, though not resolved, by conflict. The religious and civil wars of history are a bloody testament to this judgment.

The widespread use of the market reduces the strain on the social fabric by rendering conformity unnecessary with respect to any activities it encompasses. The wider the range of activities covered by the market, the fewer are the issues on which explicitly political decisions are required and hence on which it is necessary to achieve agreement. In turn, the fewer the issues on which agreement is necessary, the greater is the likelihood of getting agreement while maintaining a free society.

Unanimity is, of course, an ideal. In practice, we can afford neither the time nor the effort that would be required to achieve complete unanimity on every issue. We must perforce accept something less. We are thus led to accept majority rule in one form or another as an expedient. That majority rule is an expedient rather than itself a basic principle is clearly shown by the fact that our willingness to resort to majority rule, and the size of the majority we require, themselves depend on the seriousness of the issue involved. If the matter is of little moment and the minority has no strong feelings about being overruled, a bare plurality will suffice. On the other hand, if the minority feels strongly about the issue involved, even a bare majority will not do. Few of us would be willing to have issues of free speech, for example, decided by a bare majority. Our legal structure is full of such distinctions among kinds of issues that require different kinds of majorities. At the extreme are those issues embodied in the Constitution. These are the principles that are so important that we are willing to make minimal concessions to expediency. Something like essential consensus was achieved initially in accepting them, and we require something like essential consensus for a change in them.

The self-denying ordinance to refrain from majority rule on certain kinds of issues that is embodied in our Constitution and in similar written or unwritten constitutions elsewhere, and the specific provisions in these constitutions or their equivalents pro-

hibiting coercion of individuals, are themselves to be regarded as reached by free discussion and as reflecting essential unanimity about means.

I turn now to consider more specifically, though still in very broad terms, what the areas are that 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.

GOVERNMENT AS RULE-MAKER AND UMPIRE

It is important to distinguish the day-to-day activities of people from the general customary and legal framework within which these take place. The day-to-day activities are like the actions of the participants in a game when they are playing it; the framework, like the rules of the game they play. And just as a good game requires acceptance by the players both of the rules and of the umpire to interpret and enforce them, so a good society requires that its members agree on the general conditions that will govern relations among them, on some means of arbitrating different interpretations of these conditions, and on some device for enforcing compliance with the generally accepted rules. As in games, so also in society, most of the general conditions are the unintended outcome of custom, accepted unthinkingly. At most, we consider explicitly only minor modifications in them, though the cumulative effect of a series of minor modifications may be a drastic alteration in the character of the game or of the society. In both games and society also, no set of rules can prevail unless most participants most of the time conform to them without external sanctions; unless that is, there is a broad underlying social consensus. But we cannot rely on custom or on this consensus alone to interpret and to enforce the rules; we need an umpire. These then are the basic roles of government in a free society: to provide a means whereby we can modify the rules, to mediate differences among us on the meaning of the rules, and to enforce compliance with the rules on the part of those few who would otherwise not play the game.

The need for government in these respects arises because absolute freedom is impossible. However attractive anarchy may be as a philosophy, it is not feasible in a world of imperfect men.

Men's freedoms can conflict, and when they do, one man's freedom must be limited to preserve another's — as a Supreme Court Justice once put it, "My freedom to move my fist must be limited by the proximity of your chin."

The major problem in deciding the appropriate activities of government is how to resolve such conflicts among the freedoms of different individuals. In some cases, the answer is easy. There is little difficulty in attaining near unanimity to the proposition that one man's freedom to murder his neighbor must be sacrificed to preserve the freedom of the other man to live. In other cases, the answer is difficult. In the economic area, a major problem arises in respect of the conflict between freedom to combine and freedom to compete. What meaning is to be attributed to "free" as modifying "enterprise"? In the United States, "free" has been understood to mean that anyone is free to set up an enterprise, which means that existing enterprises are not free to keep out competitors except by selling a better product at the same price or the same product at a lower price. In the continental tradition, on the other hand, the meaning has generally been that enterprises are free to do what they want, including the fixing of prices, division of markets, and the adoption of other techniques to keep out potential competitors. Perhaps the most difficult specific problem in this area arises with respect to combinations among laborers, where the problem of freedom to combine and freedom to compete is particularly acute.

A still more basic economic area in which the answer is both difficult and important is the definition of property rights. The notion of property, as it has developed over centuries and as it is embodied in our legal codes, has become so much a part of us that we tend to take it for granted, and fail to recognize the extent to which just what constitutes property and what rights the ownership of property confers are complex social creations rather than self-evident propositions. Does my having title to land, for example, and my freedom to use my property as I wish, permit me to deny to someone else the right to fly over my land in his airplane? Or does his right to use his airplane take precedence? Or does this depend on how high he flies? Or how much noise he makes? Does voluntary exchange require that he pay

me for the privilege of flying over my land? Or that I must pay him to refrain from flying over it? The mere mention of royalties, copyrights, patents; shares of stock in corporations; riparian rights, and the like, may perhaps emphasize the role of generally accepted social rules in the very definition of property. It may suggest also that, in many cases, the existence of a well specified and generally accepted definition of property is far more important than just what the definition is.

Another economic area that raises particularly difficult problems is the monetary system. Government responsibility for the monetary system has long been recognized. It is explicitly provided for in the constitutional provision which gives Congress the power "to coin money, regulate the value thereof, and of foreign coin." There is probably no other area of economic activity with respect to which government action has been so uniformly accepted. This habitual and by now almost unthinking acceptance of governmental responsibility makes thorough understanding of the grounds for such responsibility all the more necessary, since it enhances the danger that the scope of government will spread from activities that are, to those that are not, appropriate in a free society, from providing a monetary framework to determining the allocation of resources among individuals. We shall discuss this problem in detail in chapter iii.

In summary, the organization of economic activity through voluntary exchange presumes that we have provided, through government, for the maintenance of law and order to prevent coercion of one individual by another, the enforcement of contracts voluntarily entered into, the definition of the meaning of property rights, the interpretation and enforcement of such rights, and the provision of a monetary framework.

ACTION THROUGH GOVERNMENT ON GROUNDS OF TECHNICAL MONOPOLY AND NEIGHBORHOOD EFFECTS

The role of government just considered is to do something that the market cannot do for itself, namely, to determine, arbitrate, and enforce the rules of the game. We may also want to do through government some things that might conceivably be done through the market but that technical or similar conditions

render it difficult to do in that way. These all reduce to cases in which strictly voluntary exchange is either exceedingly costly or practically impossible. There are two general classes of such cases: monopoly and similar market imperfections, and neighborhood effects.

Exchange is truly voluntary only when nearly equivalent alternatives exist. Monopoly implies the absence of alternatives and thereby inhibits effective freedom of exchange. In practice, monopoly frequently, if not generally, arises from government support or from collusive agreements among individuals. With respect to these, the problem is either to avoid governmental fostering of monopoly or to stimulate the effective enforcement of rules such as those embodied in our anti-trust laws. However, monopoly may also arise because it is technically efficient to have a single producer or enterprise. I venture to suggest that such cases are more limited than is supposed but they unquestionably do arise. A simple example is perhaps the provision of telephone services within a community. I shall refer to such cases as "technical" monopoly.

When technical conditions make a monopoly the natural outcome of competitive market forces, there are only three alternatives that seem available: private monopoly, public monopoly, or public regulation. All three are bad so we must choose among evils. Henry Simons, observing public regulation of monopoly in the United States, found the results so distasteful that he concluded public monopoly would be a lesser evil. Walter Eucken, a noted German liberal, observing public monopoly in German railroads, found the results so distasteful that he concluded public regulation would be a lesser evil. Having learned from both, I reluctantly conclude that, if tolerable, private monopoly may be the least of the evils.

If society were static so that the conditions which give rise to a technical monopoly were sure to remain, I would have little confidence in this solution. In a rapidly changing society, however, the conditions making for technical monopoly frequently change and I suspect that both public regulation and public monopoly are likely to be less responsive to such changes in conditions, to be less readily capable of elimination, than private monopoly.

Railroads in the United States are an excellent example. A large degree of monopoly in railroads was perhaps inevitable on technical grounds in the nineteenth century. This was the justification for the Interstate Commerce Commission. But conditions have changed. The emergence of road and air transport has reduced the monopoly element in railroads to negligible proportions. Yet we have not eliminated the ICC. On the contrary, the ICC, which started out as an agency to protect the public from exploitation by the railroads, has become an agency to protect railroads from competition by trucks and other means of transport, and more recently even to protect existing truck companies from competition by new entrants. Similarly, in England, when the railroads were nationalized, trucking was at first brought into the state monopoly. If railroads had never been subjected to regulation in the United States, it is nearly certain that by now transportation, including railroads, would be a highly competitive industry with little or no remaining monopoly elements.

The choice between the evils of private monopoly, public monopoly, and public regulation cannot, however, be made once and for all, independently of the factual circumstances. If the technical monopoly is of a service or commodity that is regarded as essential and if its monopoly power is sizable, even the short-run effects of private unregulated monopoly may not be tolerable, and either public regulation or ownership may be a lesser evil.

Technical monopoly may on occasion justify a *de facto* public monopoly. It cannot by itself justify a public monopoly achieved by making it illegal for anyone else to compete. For example, there is no way to justify our present public monopoly of the post office. It may be argued that the carrying of mail is a technical monopoly and that a government monopoly is the least of evils. Along these lines, one could perhaps justify a government post office but not the present law, which makes it illegal for anybody else to carry mail. If the delivery of mail is a technical monopoly, no one will be able to succeed in competition with the government. If it is not, there is no reason why the government should be engaged in it. The only way to find out is to leave other people free to enter.

The historical reason why we have a post office monopoly is because the Pony Express did such a good job of carrying the mail across the continent that, when the government introduced transcontinental service, it couldn't compete effectively and lost money. The result was a law making it illegal for anybody else to carry the mail. That is why the Adams Express Company is an investment trust today instead of an operating company. I conjecture that if entry into the mail-carrying business were open to all, there would be a large number of firms entering it and this archaic industry would become revolutionized in short order.

A second general class of cases in which strictly voluntary exchange is impossible arises when actions of individuals have effects on other individuals for which it is not feasible to charge or recompense them. This is the problem of "neighborhood effects". An obvious example is the pollution of a stream. The man who pollutes a stream is in effect forcing others to exchange good water for bad. These others might be willing to make the exchange at a price. But it is not feasible for them, acting individually, to avoid the exchange or to enforce appropriate compensation.

A less obvious example is the provision of highways. In this case, it is technically possible to identify and hence charge individuals for their use of the roads and so to have private operation. However, for general access roads, involving many points of entry and exit, the costs of collection would be extremely high if a charge were to be made for the specific services received by each individual, because of the necessity of establishing toll booths or the equivalent at all entrances. The gasoline tax is a much cheaper method of charging individuals roughly in proportion to their use of the roads. This method, however, is one in which the particular payment cannot be identified closely with the particular use. Hence, it is hardly feasible to have private enterprise provide the service and collect the charge without establishing extensive private monopoly.

These considerations do not apply to long-distance turnpikes with high density of traffic and limited access. For these, the costs of collection are small and in many cases are now being

paid, and there are often numerous alternatives, so that there is no serious monopoly problem. Hence, there is every reason why these should be privately owned and operated. If so owned and operated, the enterprise running the highway should receive the gasoline taxes paid on account of travel on it.

Parks are an interesting example because they illustrate the difference between cases that can and cases that cannot be justified by neighborhood effects, and because almost everyone at first sight regards the conduct of National Parks as obviously a valid function of government. In fact, however, neighborhood effects may justify a city park; they do not justify a national park, like Yellowstone National Park or the Grand Canyon. What is the fundamental difference between the two? For the city park, it is extremely difficult to identify the people who benefit from it and to charge them for the benefits which they receive. If there is a park in the middle of the city, the houses on all sides get the benefit of the open space, and people who walk through it or by it also benefit. To maintain toll collectors at the gates or to impose annual charges per window overlooking the park would be very expensive and difficult. The entrances to a national park like Yellowstone, on the other hand, are few; most of the people who come stay for a considerable period of time and it is perfectly feasible to set up toll gates and collect admission charges. This is indeed now done, though the charges do not cover the whole costs. If the public wants this kind of an activity enough to pay for it, private enterprises will have every incentive to provide such parks. And, of course, there are many private enterprises of this nature now in existence. I cannot myself conjure up any neighborhood effects or important monopoly effects that would justify governmental activity in this area.

Considerations like those I have treated under the heading of neighborhood effects have been used to rationalize almost every conceivable intervention. In many instances, however, this rationalization is special pleading rather than a legitimate application of the concept of neighborhood effects. Neighborhood effects cut both ways. They can be a reason for limiting the activities of government as well as for expanding them. Neighborhood effects impede voluntary exchange because it is difficult

to identify the effects on third parties and to measure their magnitude; but this difficulty is present in governmental activity as well. It is hard to know when neighborhood effects are sufficiently large to justify particular costs in overcoming them and even harder to distribute the costs in an appropriate fashion. Consequently, when government engages in activities to overcome neighborhood effects, it will in part introduce an additional set of neighborhood effects by failing to charge or to compensate individuals properly. Whether the original or the new neighborhood effects are the more serious can only be judged by the facts of the individual case, and even then, only very approximately. Furthermore, the use of government to overcome neighborhood effects itself has an extremely important neighborhood effect which is unrelated to the particular occasion for government action. Every act of government intervention limits the area of individual freedom directly and threatens the preservation of freedom indirectly for reasons elaborated in the first chapter.

Our principles offer no hard and fast line how far it is appropriate to use government to accomplish jointly what it is difficult or impossible for us to accomplish separately through strictly voluntary exchange. In any particular case of proposed intervention, we must make up a balance sheet, listing separately the advantages and disadvantages. Our principles tell us what items to put on the one side and what items on the other and they give us some basis for attaching importance to the different items. In particular, we shall always want to enter on the liability side of any proposed government intervention, its neighborhood effect in threatening freedom, and give this effect considerable weight. Just how much weight to give to it, as to other items, depends upon the circumstances. If, for example, existing government intervention is minor, we shall attach a smaller weight to the negative effects of additional government intervention. This is an important reason why many earlier liberals, like Henry Simons, writing at a time when government was small by today's standards, were willing to have government undertake activities that today's liberals would not accept now that government has become so overgrown.

ACTION THROUGH GOVERNMENT
ON PATERNALISTIC GROUNDS

Freedom is a tenable objective only for responsible individuals. We do not believe in freedom for madmen or children. The necessity of drawing a line between responsible individuals and others is inescapable, yet it means that there is an essential ambiguity in our ultimate objective of freedom. Paternalism is inescapable for those whom we designate as not responsible.

The clearest case, perhaps, is that of madmen. We are willing neither to permit them freedom nor to shoot them. It would be nice if we could rely on voluntary activities of individuals to house and care for the madmen. But I think we cannot rule out the possibility that such charitable activities will be inadequate, if only because of the neighborhood effect involved in the fact that I benefit if another man contributes to the care of the insane. For this reason, we may be willing to arrange for their care through government.

Children offer a more difficult case. The ultimate operative unit in our society is the family, not the individual. Yet the acceptance of the family as the unit rests in considerable part on expediency rather than principle. We believe that parents are generally best able to protect their children and to provide for their development into responsible individuals for whom freedom is appropriate. But we do not believe in the freedom of parents to do what they will with other people. The children are responsible individuals in embryo, and a believer in freedom believes in protecting their ultimate rights.

To put this in a different and what may seem a more callous way, children are at one and the same time consumer goods and potentially responsible members of society. The freedom of individuals to use their economic resources as they want includes the freedom to use them to have children — to buy, as it were, the services of children as a particular form of consumption. But once this choice is exercised, the children have a value in and of themselves and have a freedom of their own that is not simply an extension of the freedom of the parents.

The paternalistic ground for governmental activity is in many ways the most troublesome to a liberal; for it involves the accept-

ance of a principle — that some shall decide for others — which he finds objectionable in most applications and which he rightly regards as a hallmark of his chief intellectual opponents, the proponents of collectivism in one or another of its guises, whether it be communism, socialism, or a welfare state. Yet there is no use pretending that problems are simpler than in fact they are. There is no avoiding the need for some measure of paternalism. As Dicey wrote in 1914 about an act for the protection of mental defectives, "The Mental Deficiency Act is the first step along a path on which no sane man can decline to enter, but which, if too far pursued, will bring statesmen across difficulties hard to meet without considerable interference with individual liberty."¹ There is no formula that can tell us where to stop. We must rely on our fallible judgment and, having reached a judgment, on our ability to persuade our fellow men that it is a correct judgment, or their ability to persuade us to modify our views. We must put our faith, here as elsewhere, in a consensus reached by imperfect and biased men through free discussion and trial and error.

CONCLUSION

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.

Yet it is also true that such a government would have clearly limited functions and would refrain from a host of activities that are now undertaken by federal and state governments in

¹ A. V. Dicey, *Lectures on the Relation between Law and Public Opinion in England during the Nineteenth Century* (2d. ed.; London: Macmillan & Co., 1914), p. li.

the United States, and their counterparts in other Western countries. Succeeding chapters will deal in some detail with some of these activities, and a few have been discussed above, but it may help to give a sense of proportion about the role that a liberal would assign government simply to list, in closing this chapter, some activities currently undertaken by government in the U.S., that cannot, so far as I can see, validly be justified in terms of the principles outlined above:

1. Parity price support programs for agriculture.
2. Tariffs on imports or restrictions on exports, such as current oil import quotas, sugar quotas, etc.
3. Governmental control of output, such as through the farm program, or through prorationing of oil as is done by the Texas Railroad Commission.
4. Rent control, such as is still practiced in New York, or more general price and wage controls such as were imposed during and just after World War II.
5. Legal minimum wage rates, or legal maximum prices, such as the legal maximum of zero on the rate of interest that can be paid on demand deposits by commercial banks, or the legally fixed maximum rates that can be paid on savings and time deposits.
6. Detailed regulation of industries, such as the regulation of transportation by the Interstate Commerce Commission. This had some justification on technical monopoly grounds when initially introduced for railroads; it has none now for any means of transport. Another example is detailed regulation of banking.
7. A similar example, but one which deserves special mention because of its implicit censorship and violation of free speech, is the control of radio and television by the Federal Communications Commission.
8. Present social security programs, especially the old-age and retirement programs compelling people in effect (*a*) to spend a specified fraction of their income on the purchase of retirement annuity, (*b*) to buy the annuity from a publicly operated enterprise.
9. Licensure provisions in various cities and states which restrict particular enterprises or occupations or professions to people who have a license, where the license is more than a

receipt for a tax which anyone who wishes to enter the activity may pay.

10. So-called "public-housing" and the host of other subsidy programs directed at fostering residential construction such as F.H.A. and V.A. guarantee of mortgage, and the like.

11. Conscription to man the military services in peacetime. The appropriate free market arrangement is volunteer military forces ; which is to say, hiring men to serve. There is no justification for not paying whatever price is necessary to attract the required number of men. Present arrangements are inequitable and arbitrary, seriously interfere with the freedom of young men to shape their lives, and probably are even more costly than the market alternative. (Universal military training to provide a reserve for war time is a different problem and may be justified on liberal grounds.)

12. National parks, as noted above.

13. The legal prohibition on the carrying of mail for profit.

14. Publicly owned and operated toll roads, as noted above.

This list is far from comprehensive.

Chapter XI



Social Welfare Measures

THE HUMANITARIAN AND EGALITARIAN sentiment which helped produce the steeply graduated individual income tax has also produced a host of other measures directed at promoting the "welfare" of particular groups. The most important single set of measures is the bundle misleadingly labeled "social security." Others are public housing, minimum wage laws, farm price supports, medical care for particular groups, special aid programs, and so on.

I shall first discuss briefly a few of the latter, mostly to indicate how different their actual effects may be from those intended, and shall then discuss at somewhat greater length the largest single component of the social security program, old age and survivor's insurance.

MISCELLANEOUS WELFARE MEASURES

1. *Public Housing* One argument frequently made for public housing is based on an alleged neighborhood effect: slum districts in particular, and other low quality housing to a lesser degree, are said to impose higher costs on the community in the form of fire and police protection. This literal neighborhood effect may well exist. But insofar as it does, it alone argues, not for public housing, but for higher taxes on the kind of housing that adds to social costs since this would tend to equalize private and social cost.

It will be answered at once that the extra taxes would bear on low-income people and that this is undesirable. The answer means that public housing is proposed not on the ground of neighborhood effects but as a means of helping low-income people. If this be the case, why subsidize housing in particular? If funds are to be used to help the poor, would they not be used more effectively by being given in cash rather than in kind? Surely, the families being helped would rather have a given sum in cash than in the form of housing. They could themselves spend the money on housing if they so desired. Hence, they would never be worse off if given cash; if they regarded other needs as more important, they would be better off. The cash subsidy would solve the neighborhood effect as well as the subsidy in kind, since if it were not used to buy housing it would be available to pay extra taxes justified by the neighborhood effect.

Public housing cannot therefore be justified on the grounds either of neighborhood effects or of helping poor families. It can be justified, if at all, only on grounds of paternalism; that the families being helped "need" housing more than they "need" other things but would themselves either not agree or would spend the money unwisely. The liberal will be inclined to reject this argument for responsible adults. He cannot completely reject it in the more indirect form in which it affects children; namely, that parents will neglect the welfare of the children, who "need" the better housing. But he will surely demand evidence much more persuasive and to the point than the kind usually given before he can accept this final argument

as adequate justification for large expenditures on public housing.

So much could have been said in the abstract, in advance of actual experience with public housing. Now that we have had experience, we can go much farther. In practice, public housing has turned out to have effects very different indeed from those intended.

Far from improving the housing of the poor, as its proponents expected, public housing has done just the reverse. The number of dwelling units destroyed in the course of erecting public housing projects has been far larger than the number of new dwelling units constructed. But public housing as such has done nothing to reduce the number of persons to be housed. The effect of public housing has therefore been to raise the number of persons per dwelling unit. Some families have probably been better housed than they would otherwise have been — those who were fortunate enough to get occupancy of the publicly built units. But this has only made the problem for the rest all the worse, since the average density of all together went up.

Of course, private enterprise offset some of the deleterious effect of the public housing program by conversion of existing quarters and construction of new ones for either the persons directly displaced or, more generally, the persons displaced at one or two removes in the game of musical chairs set in motion by the public housing projects. However, these private resources would have been available in the absence of the public housing program.

Why did the public housing program have this effect? For the general reason we have stressed time and again. The general interest that motivated many to favor instituting the program is diffuse and transitory. Once the program was adopted, it was bound to be dominated by the special interests that it could serve. In this case, the special interests were those local groups that were anxious to have blighted areas cleared and refurbished, either because they owned property there or because the blight was threatening local or central business districts. Public housing served as a convenient means to accomplish their objective, which required more destruction than construction.

Even so, "urban blight" is still with us in undiminished force, to judge by the growing pressure for federal funds to deal with it.

Another gain its proponents expected from public housing was the reduction of juvenile delinquency by improving housing conditions. Here again, the program in many instances had precisely the opposite effect, entirely aside from its failure to improve *average* housing conditions. The income limitations quite properly imposed for the occupancy of public housing at subsidized rentals have led to a very high density of "broken" families—in particular, divorced or widowed mothers with children. Children of broken families are especially likely to be "problem" children and a high concentration of such children is likely to increase juvenile delinquency. One manifestation has been the very adverse effect on schools in the neighborhood of a public housing project. Whereas a school can readily absorb a few "problem" children it is very difficult for it to absorb a large number. Yet in some cases, broken families are a third or more of the total in a public housing project and the project may account for a majority of the children in the school. Had these families been assisted through cash grants, they would have been spread much more thinly through the community.

2. *Minimum wage laws* Minimum wage laws are about as clear a case as one can find of a measure the effects of which are precisely the opposite of those intended by the men of good will who support it. Many proponents of minimum wage laws quite properly deplore extremely low rates; they regard them as a sign of poverty; and they hope, by outlawing wage rates below some specified level, to reduce poverty. In fact, insofar as minimum wage laws have any effect at all, their effect is clearly to increase poverty. The state can legislate a minimum wage rate. It can hardly require employers to hire at that minimum all who were formerly employed at wages below the minimum. It is clearly not in the interest of employers to do so. The effect of the minimum wage is therefore to make unemployment higher than it otherwise would be. Insofar as the low wage rates are in fact a sign of poverty, the people who are rendered unemployed are precisely those who can least afford

to give up the income they had been receiving, small as it may appear to the people voting for the minimum wage.

This case is in one respect very much like public housing. In both, the people who are helped are visible — the people whose wages are raised; the people who occupy the publicly built units. The people who are hurt are anonymous and their problem is not clearly connected to its cause: the people who join the ranks of the unemployed or, more likely, are never employed in particular activities because of the existence of the minimum wage and are driven to even less remunerative activities or to the relief rolls; the people who are pressed ever closer together in the spreading slums that seem to be rather a sign of the need for more public housing than a consequence of the existing public housing.

A large part of the support for minimum wage laws comes not from disinterested men of good will but from interested parties. For example, northern trade unions and northern firms threatened by southern competition favor minimum wage laws to reduce the competition from the South.

3. *Farm price supports* Farm price supports are another example. Insofar as they can be justified at all on grounds other than the political fact that rural areas are over-represented in the electoral college and Congress, it must be on the belief that farmers on the average have low incomes. Even if this be accepted as a fact, farm price supports do not accomplish the intended purpose of helping the farmers who need help. In the first place, benefits are, if anything, inverse to need, since they are in proportion to the amount sold on the market. The impecunious farmer not only sells less on the market than the wealthier farmer; in addition, he gets a larger fraction of his income from products grown for his own use, and these do not qualify for the benefits. In the second place, the benefits, if any, to farmers from the price-support program are much smaller than the total amount spent. This is clearly true of the amount spent for storage and similar costs which does not go to the farmer at all — indeed the suppliers of storage capacity and facilities may well be the major beneficiaries. It is equally true of the amount spent to purchase agricultural products. The

farmer is thereby induced to spend additional sums on fertilizer, seed, machinery, etc. At most, only the excess adds to his income. And finally, even this residual of a residual overstates the gain since the effect of the program has been to keep more people on the farm than would otherwise have stayed there. Only the excess, if any, of what they can earn on the farm with the price-support program over what they can earn off the farm, is a net benefit to them. The main effect of the purchase program has simply been to make farm output larger, not to raise the income per farmer.

Some of the costs of the farm purchase program are so obvious and well-known as to need little more than mention: the consumer has paid twice, once in taxes for farm benefit payments, again by paying a higher price for food; the farmer has been saddled with onerous restrictions and detailed centralized control; the nation has been saddled with a spreading bureaucracy. There is, however, one set of costs which is less well-known. The farm program has been a major hindrance in the pursuit of foreign policy. In order to maintain a higher domestic than world price, it has been necessary to impose quotas on imports for many items. Erratic changes in our policy have had serious adverse effects on other countries. A high price for cotton encouraged other countries to enlarge their cotton production. When our high price led to an unwieldy stock of cotton, we proceeded to sell overseas at low prices and imposed heavy losses on the producers whom we had by our earlier actions encouraged to expand output. The list of similar cases could be multiplied.

OLD AGE AND SURVIVOR'S INSURANCE

The "social security" program is one of those things on which the tyranny of the status quo is beginning to work its magic. Despite the controversy that surrounded its inception, it has come to be so much taken for granted that its desirability is hardly questioned any longer. Yet it involves a large-scale invasion into the personal lives of a large fraction of the nation without, so far as I can see, any justification that is at all persuasive, not only on liberal principles, but on almost any other. I

propose to examine the biggest phase of it, that which involves payments to the aged.

As an operational matter, the program known as old age and survivor's insurance (OASI) consists of a special tax imposed on payrolls, plus payments to persons who have reached a specified age, of amounts determined by the age at which payments begin, family status, and prior earning record.

As an analytical matter, OASI consists of three separable elements:

1. The requirement that a wide class of persons must purchase specified annuities, i.e., compulsory provision for old age.

2. The requirement that the annuity must be purchased from the government; i.e., nationalization of the provision of these annuities.

3. A scheme for redistributing income, insofar as the value of the annuities to which people are entitled when they enter the system is not equal to the taxes they will pay.

Clearly, there is no necessity for these elements to be combined. Each individual could be required to pay for his own annuity; the individual could be permitted to purchase an annuity from private firms; yet individuals could be required to purchase specified annuities. The government could go into the business of selling annuities without compelling individuals to buy specified annuities and require the business to be self-supporting. And clearly the government can and does engage in redistribution without using the device of annuities.

Let us therefore consider each of these elements in turn to see how far, if at all, each can be justified. It will facilitate our analysis, I believe, if we consider them in reverse order.

1. Income redistribution. The present OASI program involves two major kinds of redistribution; from some OASI beneficiaries to others; from the general taxpayer to OASI beneficiaries.

The first kind of redistribution is primarily from those who entered the system relatively young, to those who entered it at an advanced age. The latter are receiving, and will for some time be receiving, a greater amount as benefits than the taxes they paid could have purchased. Under present tax and benefit

schedules, on the other hand, those who entered the system at a young age will receive decidedly less.

I do not see any grounds—liberal or other—on which this particular redistribution can be defended. The subsidy to the beneficiaries is independent of their poverty or wealth; the man of means receives it as much as the indigent. The tax which pays the subsidy is a flat-rate tax on earnings up to a maximum. It constitutes a larger fraction of low incomes than of high. What conceivable justification is there for taxing the young to subsidize the old regardless of the economic status of the old; for imposing a higher rate of tax for this purpose on the low incomes than on the high; or, for that matter, for raising the revenues to pay the subsidy by a tax on payrolls?

The second kind of redistribution arises because the system is not likely to be fully self-financing. During the period when many were covered and paying taxes, and few had qualified for benefits, the system appeared to be self-financing and indeed to be having a surplus. But this appearance depends on neglecting the obligation being accumulated with respect to the persons paying the tax. It is doubtful that the taxes paid have sufficed to finance the accumulated obligation. Many experts assert that even on a cash basis, a subsidy will be required. And such a subsidy generally has been required in similar systems in other countries. This is a highly technical matter which we cannot and need not go into here and about which there can be honest differences of opinion.

For our purpose, it is enough to ask only the hypothetical question whether a subsidy from the general taxpayer could be justified if it is required. I see no grounds on which such a subsidy can be justified. We may wish to help poor people. Is there any justification for helping people whether they are poor or not because they happen to be a certain age? Is this not an entirely arbitrary redistribution?

The only argument I have ever come across to justify the redistribution involved in OASI is one that I regard as thoroughly immoral despite its wide use. This argument is that OASI redistribution on the average helps low-income people more than high-income people despite a large arbitrary element; that it

would be better to do this redistribution more efficiently; but that the community will not vote for the redistribution directly though it will vote for it as part of a social security package. In essence, what this argument says is that the community can be fooled into voting for a measure that it opposes by presenting the measure in a false guise. Needless to say, the people who argue this way are the loudest in their condemnation of "misleading" commercial advertising!¹

2. *Nationalization of the provision of required annuities*
Suppose we avoid redistribution by requiring each person to pay for the annuity he gets, in the sense of course, that the premium suffices to cover the present value of the annuity, account being taken both of mortality and interest returns. What justification is there then for requiring him to purchase it from a governmental concern? If redistribution is to be accomplished, clearly the taxing power of the government must be used. But if redistribution is to be no part of the program and, as we have just seen, it is hard to see any justification for making it part, why not permit individuals who wish to do so to purchase their annuities from private concerns? A close analogy is provided by state laws requiring compulsory purchase of automobile liability insurance. So far as I know, no state which has such a law even has a state insurance company, let alone compels automobile owners to buy their insurance from a government agency.

Possible economies of scale are no argument for nationalizing the provision of annuities. If they are present, and the government sets up a concern to sell annuity contracts, it may be able to undersell competitors by virtue of its size. In that case, it will get the business without compulsion. If it cannot undersell

¹ Another current example of the same argument is in connection with proposals for federal subsidies for schooling (misleadingly labeled, "aid to education"). A case can be made for using federal funds to supplement schooling expenditures in the states with the lowest incomes, on the grounds that the children schooled may migrate to other states. There is no case whatsoever for imposing taxes on all the states and giving federal subsidies to all the states. Yet every bill introduced into Congress provides for the latter and not the former. Some proponents of these bills, who recognize that only subsidies to some states can be justified, defend their position by saying that a bill providing only for such subsidies could not be passed and that the only way to get disproportionate subsidies to poorer states is to include them in a bill providing subsidies to all states.

them, then presumably economies of scale are not present or are not sufficient to overcome other diseconomies of governmental operation.

One possible advantage of nationalizing the provision of annuities is to facilitate the enforcement of compulsory purchase of annuities. However, this seems a rather trivial advantage. It would be easy to devise alternative administrative arrangements, such as requiring individuals to include a copy of a receipt for premium payments along with their income tax returns; or having their employers certify to their having met the requirement. The administrative problem would surely be minor compared with that imposed by the present arrangements.

The costs of nationalization seem clearly to outweigh any such trivial advantage. Here, as elsewhere, individual freedom to choose, and competition of private enterprises for custom, would promote improvements in the kinds of contracts available, and foster variety and diversity to meet individual need. On the political level, there is the obvious gain from avoiding an expansion in the scale of governmental activity and the indirect threat to freedom of every such expansion.

Some less obvious political costs arise from the character of the present program. The issues involved become very technical and complex. The layman is often incompetent to judge them. Nationalization means that the bulk of the "experts" become employees of the nationalized system, or university people closely linked with it. Inevitably, they come to favor its expansion, not, I hasten to add, out of narrow self-interest but because they are operating within a framework in which they take for granted governmental administration and are familiar only with its techniques. The only saving grace in the United States so far has been the existence of private insurance companies involved in similar activities.

Effective control by Congress over the operations of such agencies as the Social Security Administration becomes essentially impossible as a result of the technical character of their task and their near-monopoly of experts. They become self-governing bodies whose proposals are in the main rubber-stamped by Congress. The able and ambitious men who make their careers in them are naturally anxious to expand the scope

of their agencies and it is exceedingly difficult to prevent them from doing so. If the expert says yea, who is there competent to say nay? So we have seen an increasing fraction of the population drawn into the social security system, and now that there remain few possibilities of expansion in that direction, we are seeing a move toward the addition of new programs, such as medical care.

I conclude that the case against the nationalization of the provision of annuities is exceedingly strong, not only in terms of liberal principles but even in terms of the values expressed by proponents of the welfare state. If they believe that the government can provide the service better than the market, they should favor a government concern to issue annuities in open competition with other concerns. If they are right, the government concern will prosper. If they are wrong, the welfare of the people will be advanced by having a private alternative. Only the doctrinaire socialist, or the believer in centralized control for its own sake, can, so far as I can see, take a stand on principle in favor of nationalization of the provision of annuities.

3. *Compulsory Purchase of Annuities* Having cleared away the underbrush, we are now ready to face the key issue: compelling individuals to use some of their current income to purchase annuities to provide for their old age.

One possible justification for such compulsion is strictly paternalistic. People could if they wished decide to do individually what the law requires them to do as a group. But they are separately short-sighted and improvident. "We" know better than "they" that it is in their own good to provide for their old age to a greater extent than they would voluntarily; we cannot persuade them individually; but we can persuade 51 per cent or more to compel all to do what is in their own good. This paternalism is for responsible people, hence does not even have the excuse of concern for children or madmen.

This position is internally consistent and logical. A thoroughgoing paternalist who holds it cannot be dissuaded by being shown that he is making a mistake in logic. He is our opponent on grounds of principle, not simply a well-meaning but misguided friend. Basically, he believes in dictatorship, benevolent and maybe majoritarian, but dictatorship none the less.

Those of us who believe in freedom must believe also in the freedom of individuals to make their own mistakes. If a man knowingly prefers to live for today, to use his resources for current enjoyment, deliberately choosing a penurious old age, by what right do we prevent him from doing so? We may argue with him, seek to persuade him that he is wrong, but are we entitled to use coercion to prevent him from doing what he chooses to do? Is there not always the possibility that he is right and that we are wrong? Humility is the distinguishing virtue of the believer in freedom; arrogance, of the paternalist.

Few people are thoroughgoing paternalists. It is a position that is most unattractive if examined in the cold light of the day. Yet the paternalistic argument has played so large a role in measures like social security that it seems worth making it explicit.

A possible justification on liberal principles for compulsory purchase of annuities is that the improvident will not suffer the consequence of their own action but will impose costs on others. We shall not, it is said, be willing to see the indigent aged suffer in dire poverty. We shall assist them by private and public charity. Hence the man who does not provide for his old age will become a public charge. Compelling him to buy an annuity is justified not for his own good but for the good of the rest of us.

The weight of this argument clearly depends on fact. If 90 per cent of the population would become charges on the public at age 65 in the absence of compulsory purchase of annuities, the argument would have great weight. If only 1 per cent would, the argument has none. Why restrict the freedom of 99 per cent to avoid the costs that the other 1 per cent would impose on the community?

The belief that a large fraction of the community would become public charges if not compelled to purchase annuities owed its plausibility, at the time OASI was enacted, to the Great Depression. In every year from 1931 through 1940, more than one-seventh of the labor force was unemployed. And unemployment was proportionately heavier among the older workers. This experience was unprecedented and has not been repeated since. It did not arise because people were improvident and failed to provide for their old age. It was a consequence, as we

have seen, of government mismanagement. OASI is a cure, if cure it be at all, for a very different malady and one of which we have had no experience.

The unemployed of the 1930's certainly created a serious problem of the relief of distress, of many people becoming public charges. But old-age was by no means the most serious problem. Many people in productive ages were on the relief or assistance rolls. And the steady spread of OASI, until today more than sixteen million persons receive benefits, has not prevented a continued growth in the number receiving public assistance.

Private arrangements for the care of the aged have altered greatly over time. Children were at one time the major means whereby people provided for their own old age. As the community became more affluent, the mores changed. The responsibilities imposed on children to care for their parents declined and more and more people came to make provision for old age in the form of accumulating property or acquiring private pension rights. More recently, the development of pension plans over and above OASI has accelerated. Indeed, some students believe that a continuation of present trends points to a society in which a large fraction of the public scrimps in their productive years to provide themselves with a higher standard of life in old age than they ever enjoyed in the prime of life. Some of us may think such a trend perverse, but if it reflects the tastes of the community, so be it.

Compulsory purchase of annuities has therefore imposed large costs for little gain. It has deprived all of us of control over a sizable fraction of our income, requiring us to devote it to a particular purpose, purchase of a retirement annuity, in a particular way, by buying it from a government concern. It has inhibited competition in the sale of annuities and the development of retirement arrangements. It has given birth to a large bureaucracy that shows tendencies of growing by what it feeds on, of extending its scope from one area of our life to another. And all this, to avoid the danger that a few people might become charges on the public.

Chapter XII



The Alleviation of Poverty

THE EXTRAORDINARY ECONOMIC GROWTH experienced by Western countries during the past two centuries and the wide distribution of the benefits of free enterprise have enormously reduced the extent of poverty in any absolute sense in the capitalistic countries of the West. But poverty is in part a relative matter, and even in these countries, there are clearly many people living under conditions that the rest of us label as poverty.

One recourse, and in many ways the most desirable, is private charity. It is noteworthy that the heyday of *laissez-faire*, the middle and late nineteenth century in Britain and the United States, saw an extraordinary proliferation of private eleemosynary organizations and institutions. One of the major costs of

the extension of governmental welfare activities has been the corresponding decline in private charitable activities.

It can be argued that private charity is insufficient because the benefits from it accrue to people other than those who make the gifts—again, a neighborhood effect. I am distressed by the sight of poverty; I am benefited by its alleviation; but I am benefited equally whether I or someone else pays for its alleviation; the benefits of other people's charity therefore partly accrue to me. To put it differently, we might all of us be willing to contribute to the relief of poverty, *provided* everyone else did. We might not be willing to contribute the same amount without such assurance. In small communities, public pressure can suffice to realize the proviso even with private charity. In the large impersonal communities that are increasingly coming to dominate our society, it is much more difficult for it to do so.

Suppose one accepts, as I do, this line of reasoning as justifying governmental action to alleviate poverty; to set, as it were, a floor under the standard of life of every person in the community. There remain the questions, how much and how. I see no way of deciding "how much" except in terms of the amount of taxes we—by which I mean the great bulk of us—are willing to impose on ourselves for the purpose. The question, "how," affords more room for speculation.

Two things seem clear. First, if the objective is to alleviate poverty, we should have a program directed at helping the poor. There is every reason to help the poor man who happens to be a farmer, not because he is a farmer but because he is poor. The program, that is, should be designed to help people as people not as members of particular occupational groups or age groups or wage-rate groups or labor organizations or industries. This is a defect of farm programs, general old-age benefits, minimum-wage laws, pro-union legislation, tariffs, licensing provisions of crafts or professions, and so on in seemingly endless profusion. Second, so far as possible the program should, while operating through the market, not distort the market or impede its functioning. This is a defect of price supports, minimum-wage laws, tariffs and the like.

The arrangement that recommends itself on purely mechani-

cal grounds is a negative income tax. We now have an exemption of \$600 per person under the federal income tax (plus a minimum 10 per cent flat deduction). If an individual receives \$100 taxable income, i.e., an income of \$100 in excess of the exemption and deductions, he pays a tax. Under the proposal, if his taxable income minus \$100, i.e., \$100 less than the exemption plus deductions, he would pay a negative tax, i.e., receive a subsidy. If the rate of subsidy were, say, 50 per cent, he would receive \$50. If he had no income at all, and, for simplicity, no deductions, and the rate were constant, he would receive \$300. He might receive more than this if he had deductions, for example, for medical expenses, so that his income less deductions, was negative even before subtracting the exemption. The rates of subsidy could, of course, be graduated just as the rates of tax above the exemption are. In this way, it would be possible to set a floor below which no man's net income (defined now to include the subsidy) could fall — in the simple example \$300 per person. The precise floor set would depend on what the community could afford.

The advantages of this arrangement are clear. It is directed specifically at the problem of poverty. It gives help in the form most useful to the individual, namely, cash. It is general and could be substituted for the host of special measures now in effect. It makes explicit the cost borne by society. It operates outside the market. Like any other measures to alleviate poverty, it reduces the incentives of those helped to help themselves, but it does not eliminate that incentive entirely, as a system of supplementing incomes up to some fixed minimum would. An extra dollar earned always means more money available for expenditure.

No doubt there would be problems of administration, but these seem to me a minor disadvantage, if they be a disadvantage at all. The system would fit directly into our current income tax system and could be administered along with it. The present tax system covers the bulk of income recipients and the necessity of covering all would have the by-product of improving the operation of the present income tax. More important, if enacted as a substitute for the present rag bag of

measures directed at the same end, the total administrative burden would surely be reduced.

A few brief calculations suggest also that this proposal could be far less costly in money, let alone in the degree of governmental intervention involved, than our present collection of welfare measures. Alternatively, these calculations can be regarded as showing how wasteful our present measures are, judged as measures for helping the poor.

In 1961, government amounted to something like \$33 billion (federal, state, and local) on direct welfare payments and programs of all kinds: old age assistance, social security benefit payments, aid to dependent children, general assistance, farm price support programs, public housing, etc.¹ I have excluded veterans' benefits in making this calculation. I have also made no allowance for the direct and indirect costs of such measures as minimum-wage laws, tariffs, licensing provisions, and so on, or for the costs of public health activities, state and local expenditures on hospitals, mental institutions, and the like.

There are approximately 57 million consumer units (unattached individuals and families) in the United States. The 1961 expenditures of \$33 billion would have financed outright cash grants of nearly \$6,000 per consumer unit to the 10 per cent with the lowest incomes. Such grants would have raised their incomes above the average for all units in the United States. Alternatively, these expenditures would have financed grants of nearly \$3,000 per consumer unit to the 20 per cent with the lowest incomes. Even if one went so far as that one-third whom New Dealers were fond of calling ill-fed, ill-housed, and ill-clothed, 1961 expenditures would have financed grants of nearly \$2,000 per consumer unit, roughly the sum which, after allowing for the change in the level of prices, was the income which separated the lower one-third in the middle 1930's from the

¹ This figure is equal to government transfer payments (\$31.1 billion) less veterans' benefits (\$4.8 billion), both from the Department of Commerce national income accounts, plus federal expenditures on the agricultural program (\$5.5 billion) plus federal expenditures on public housing and other aids to housing (\$0.5 billion), both for year ending June 30, 1961 from Treasury accounts, plus a rough allowance of \$0.7 billion to raise it to even billions and to allow for administrative costs of federal programs, omitted state and local programs, and miscellaneous items. My guess is that this figure is a substantial underestimate.

upper two-thirds. Today, fewer than one-eighth of consumer units have an income, adjusted for the change in the level of prices, as low as that of the lowest third in the middle 1930's.

Clearly, these are all far more extravagant programs than can be justified to "alleviate poverty" even by a rather generous interpretation of that term. A program which *supplemented* the incomes of the 20 per cent of the consumer units with the lowest incomes so as to raise them to the lowest income of the rest would cost less than half of what we are now spending.

The major disadvantage of the proposed negative income tax is its political implications. It establishes a system under which taxes are imposed on some to pay subsidies to others. And presumably, these others have a vote. There is always the danger that instead of being an arrangement under which the great majority tax themselves willingly to help an unfortunate minority, it will be converted into one under which a majority imposes taxes for its own benefit on an unwilling minority. Because this proposal makes the process so explicit, the danger is perhaps greater than with other measures. I see no solution to this problem except to rely on the self-restraint and good will of the electorate.

Writing about a corresponding problem—British old-age pensions—in 1914, Dicey said, "Surely a sensible and a benevolent man may well ask himself whether England as a whole will gain by enacting that the receipt of poor relief, in the shape of a pension, shall be consistent with the pensioner's retaining the right to join in the election of a Member of Parliament."²

The verdict of experience in Britain on Dicey's question must as yet be regarded as mixed. England did move to universal suffrage without the disfranchisement of either pensioners or other recipients of state aid. And there has been an enormous expansion of taxation of some for the benefit of others, which must surely be regarded as having retarded Britain's growth, and so may not even have benefited most of those who regard themselves as on the receiving end. But these measures have not destroyed, at least as yet, Britain's liberties or its predominantly capitalistic system. And, more important, there have been some

² A. V. Dicey, *Law and Public Opinion in England*, (2d ed., London: Macmillan, 1914), p. xxxv.

signs of a turning of the tide and of the exercise of self-restraint on the part of the electorate.

LIBERALISM AND EGALITARIANISM

The heart of the liberal philosophy is a belief in the dignity of the individual, in his freedom to make the most of his capacities and opportunities according to his own lights, subject only to the proviso that he not interfere with the freedom of other individuals to do the same. This implies a belief in the equality of men in one sense; in their inequality in another. Each man has an equal right to freedom. This is an important and fundamental right precisely because men are different, because one man will want to do different things with his freedom than another, and in the process can contribute more than another to the general culture of the society in which many men live.

The liberal will therefore distinguish sharply between equality of rights and equality of opportunity, on the one hand, and material equality or equality of outcome on the other. He may welcome the fact that a free society in fact tends toward greater material equality than any other yet tried. But he will regard this as a desirable by-product of a free society, not its major justification. He will welcome measures that promote both freedom and equality — such as measures to eliminate monopoly power and to improve the operation of the market. He will regard private charity directed at helping the less fortunate as an example of the proper use of freedom. And he may approve state action toward ameliorating poverty as a more effective way in which the great bulk of the community can achieve a common objective. He will do so with regret, however, at having to substitute compulsory for voluntary action.

The egalitarian will go this far, too. But he will want to go further. He will defend taking from some to give to others, not as a more effective means whereby the "some" can achieve an objective they want to achieve, but on grounds of "justice." At this point, equality comes sharply into conflict with freedom; one must choose. One cannot be both an egalitarian, in this sense, and a liberal.