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When considering just or fair laws for a society, the libertarian most values those rights of self determination and liberty that allow him to live his own life. Liberty as defined by Milton Friedman involves the individual's freedom from other people interfering with his or her choices in life. The government may only restrict liberty in very specific or extreme cases. In Capitalism and Freedom, Friedman offers his viewpoint on why the government may not restrict liberty to promote equality, particularly economic equality. He calls this view the "capitalist ethic." In this paper I will explore his arguments for the capitalist ethic and defend his premise that the capitalist ethic promotes freedom.

Before going into detail about why Friedman endorses a capitalist ethic, such a term must be well defined. Friedman's specific definition of the capitalist ethic hinges on his description of the different ways economic inequalities arise in our society. He groups four ways of creating economic inequalities: differences in inherited starting position, differences in the natural abilities and skills of individuals, the preferences and values that such individuals might hold, and lastly, simple kinds of luck.

Differences in inherited starting points refer to any material advantages or disadvantages a person may possess that are in no way due to their own fault or merit. Such differences include parental financial circumstances and the quality of education from whichever given school district a person attends, and lead to obvious disparities in future earning power and therefore equality. Differences in skills and talents lead to inequality because any society is going to value some talents more than others. For example, the ability to use a stick to hit a round object moving with a high velocity is worth several million dollars a year in our particular society, while the ancient Egyptians would think our society rather insane. Differences in preferences and values lead to economic inequality because some people value a certain type of job more than they value the higher wage they might receive at a different, less stimulating occupation. Luck in this case is specifically defined as "option luck," which results from a person choosing to participate in a risky activity and receiving the results over which he has no control. A gambler who places money on a horse that accidentally falls and breaks a leg receives the results of his bad luck. These four circumstances all result in inequality.

One of the problems that the laws of a just society must deal with is the "ethics of distribution," also known as "who gets to own what and is it fair?" Milton's capitalist ethic claims that the government may not regulate ANY of the inequality-causing circumstances in an attempt to level the playing field or re-distribute resources. Because he finds the idea of regulating luck rather oxymoronic, Friedman makes a trivial assumption that no government would try to somehow regulate random chance and therefore does not provide any additional argument against it. According to Friedman, the third type of circumstantial inequality, individual differences in values and preferences, also should not be regulated because it is the result of the choices of individual free agents, who have no reason to complain or expect compensation for results that spring from their own actions.

The first and second types of circumstances that result in inequality, however, need far more justification for existence because they are not the result of people's free choices. While the idea that a person who chooses not to work should not be paid does not cause many people a moral dilemma, the idea of a person born rich who does not have to work and is paid anyway gives one more food for thought. The same idea comes from the thought of a professional basketball player, who does not choose to be seven feet tall or have good hand eye coordination, but earns a seven figure salary based on factors that are partially out of his control.

Since most people would agree that such circumstances seem at least a little unfair, it suggests that there is some underlying reason that the first and second circumstances might be morally

objectionable. In general, inequality of economic standing in general is considered morally objectionable because it implies that an individual with a certain economic standing is more valuable than someone with less economic power. A rich person with more money can afford better, optional medical treatment to save their life that is not covered by a basic medical care package. Statistically, someone charged with drunken or reckless driving is less likely to be convicted if they are wealthy and can afford a better lawyer. Many modern day governments proclaim equal treatment under the law. If economic status undermines this idea, one comes to the conclusion that economic inequalities should be eliminated, also known as “equality of treatment.”

One idea that has been presented as a way of achieving equality of treatment is known as “starting gate equality.” This idea aims at correcting the first type of circumstance that leads to inequality: the differences in inherited starting points. Your starting point is not only out of your control, but it is also, unlike the other three types of circumstances, completely external, and involves no action on the part of the individual. Therefore, it does not interfere with an individual’s freedom if you equalize everyone’s starting points. Under this plan, ideally all people would start out at the same position in life. Everyone would have the same schooling, the same amount of money, and the same opportunities for experience. It would then be up to the individual to use his or her talents in a way that suited his or her values and preferences to live a successful life.

Ideal as this situation sounds, it has a major caveat that prevents a “fair” outcome for those involved. It also highlights the moral objection to both the first and second types of inequalities. Even if given the same starting point, not all people have an equal chance of becoming successful because some people have more valued talents than others. In our society, a talent for picking good investments and stocks brings far more economic benefits than a talent for knitting beautiful sweaters. It does not matter that both abilities may be equally as rare or require the same amount of acumen: the knitter will end up with less money than a successful business person. Starting gate equality leaves something to be desired; it still does not seem to be an equal system. The reason that this may not seem moral or fair comes down to the idea of agency. Before she was born, the knitter did not choose to have an artistic eye and fine motor skills any more than the business man chose to have a talent for stock analysis or mathematics. As a result, reaping the rewards of such talents that came unearned contradicts the idea of fairness.

Milton Friedman recognizes this lack of closure that results from starting gate equality, and it is his primary reason for rejecting the idea. Starting gate equality is inconsistent because although inherited position is the only purely external reason for inequality, other internal reasons are still out of an individual’s concern. Starting gate equality takes away the financial advantages of people born into extra material resources, but it leaves others with their advantages of mental or physical resources. Indeed, Friedman suggests that people who support this ethically untenable view of equality really just want more material wealth than they currently possess, and do not really care much for the ethics of the situation.

While Friedman rejects starting gate equality for its contradictions, it is not the only theory of how to ensure equality of treatment. There is a second theory that is sometimes known as “democratic equality,” and it supports trying to correct the inequalities due to both inherited starting position and natural abilities or endowments. There are a few ways to do this. Directly removing talents and natural abilities would involve an absurd, counterproductive process a la Kurt Vonnegut’s satire Harrison Bergeron, (in which ballerinas must wear masks and bags of buck shot around their necks to avoid looking prettier or more graceful than anyone else). While the satire is extreme, the supporting point remains that trying to level out people’s abilities in support of some high minded goal of equality serves no useful purpose, and it may cause harm.

An alternative proposal is to use money as a sort of measure of one’s talents and take that away instead. This is closer to how the American government tax system currently works. If a person either inherits a great deal of money or earns it from his skills as a professional athlete, the government takes

much of it for use in social programs. More relevant to the discussion, it takes a higher percentage from those with higher incomes, in effect trying to redistribute wealth. The reason Friedman argues against this system is not that all taxes are illegitimate, but rather that a graduated tax rate puts more burden on those with more wealth. In more general terms, the system is not actually any more equal than before such regulation, because a higher burden than average is imposed on people who use their natural talent and abilities. Their liberty, that is, their choice involving what happens to their money, is restricted, so democratic equality is not a valid solution the ethical problem of distribution.

However, opponents of the capitalist ethic argue that it can actually be just as restrictive to liberty as some form of equality of treatment. In a capitalist society, everyone should be free to use their natural talents however they wish according to their own values and preferences. However, if income is not distributed equally, poverty can prevent two equally intelligent or talented people from producing the desired effect with their skills. Friedman's response to this view involves four Robinson Crusoes. If one lives on a lush fruitful island, and the other three live on harsh islands, Friedman maintains that the prosperous one has no obligation to support the other three. While this may seem harsh at first analysis, the prosperity of one "does not justify the use of coercion by the others." (p.165). By using force to take what we think is entitled to us, or not entitled to someone else, we infringe upon their liberties.

To a utilitarian who does not value autonomy and freedom as having the highest utility, taking from better off people to support poorer people in the form of taxes is a perfectly legitimate action. However, Friedman provides numerical evidence against the graduated income tax in order to prove his point from a practical view as well. Instead of a graduated income tax, he gives an example of a flat tax of 23.5% on income (that would replace a 20-91% range of possibilities in the current system) and actually ends up with slightly more money for the government and a vastly simplified bureaucracy as a bonus.

The most persuasive part of Friedman's argument against legislating any kind of equality is his statement that, when viewed from far enough away, "Most differences of status or position or wealth can be regarded as the product of chance." (p. 166) It is unknown in most cases the precise extent of chance involved in any given person's status. I might choose to save my money carefully, only to have a rapid spurt of inflation reduce my life savings to nearly worthless values. I am as badly off in this case as someone who gambled away all their money playing slot machines. While few people think that inequalities that result from a person's free choices should be regulated, it is often so difficult to distinguish the cause of inequalities that regulation is impractical.

For example, consider a situation in which the government tries to level the playing field of starting gate equality. No person may inherit any money, nor use any more money than anyone else for their education. Because many people work extra and harder in order to give their children better opportunities and support their families, this legislation restricts the freedom of a person who wants to spend their money. It is also unclear how far such an equality should be measured, and this law requires little stretching before it conflicts with even more values and preferences. A family would not be allowed to send their child to a private religious school that might be better than the standard state school. In addition, no child could be sent to any kind of extra gifted or advanced program that cost any extra money. Part of values and preferences that determine success include how a family raises its children. In effect, the state is now equalizing circumstances due to inherited wealth and those due to preferences and values.

Another example presents itself in terms of natural ability. Natural talent and endowments are not easily separable from values and preferences. Even with America's current tax system, we do not really tax people with a natural talent for earning money. We tax people who value working extra and earning more money. If someone with a natural talent does not use it, we do not tax it. By the view of "democratic equality" if you tax talents and endowments, you are also taxing preferences and limiting personal choices and freedoms, a morally objectionable action.

Milton Friedman's capitalist ethic claims that no legislation of economic equality is legitimate. Opponents to his ideas try to make them legitimate by drawing arbitrary distinctions between various types of inequalities and only preventing some of them. However, Friedman persuasively points out that all inequality is at least partially a matter of luck, whether it involves an inherited advantage or an advantage of special valued skills in a society. When attempts are made to regulate these distinct types of inequalities, difficulties arise in separating talent from merit from simple luck. Since correcting circumstances due to merit is unacceptable even to opponents such as Marxists, who accept the basic idea of being paid for work accomplished, no circumstances should be corrected for. Since you can't correct for one situation without partially correcting for another, it is both impractical and immoral to do so. These corrections only infringe upon the liberty and choices of the individual, who is in the best position to decide for themselves what to do with their economic status, no matter what kind of luck they have.

Works Cited

Friedman, Milton. Capitalism and Freedom. University of Chicago Press: 1962. Chapter 10: The Distribution of Income: p. 161-176.