



MILTON AND ROSE FRIEDMAN

Created Equal

MILTON FRIEDMAN (b. 1912) is a senior research fellow at the Hoover Institution and Paul Snowden Russell Distinguished Service Professor Emeritus of Economics at the University of Chicago. He taught at the University of Chicago from 1946 to 1976. Friedman won the Nobel Prize for Economics in 1976 and is widely regarded as the leading expert in monetarist economics. (A monetarist is an economist who studies the relation of the supply of money to the growth of the economy.) Friedman's theories regarding money supply have been influential on most U.S. government policy since the 1960s.

ROSE DIRECTOR FRIEDMAN studied at Reed College and then at the University of Chicago, where she received a Bachelor of Philosophy degree and went on to study for the Ph.D. in economics. She did all the work for the degree except for the thesis. She married Milton Friedman in 1937 and worked with the Federal Deposit Insurance Corporation and the National Bureau of Economic Research. She has collaborated with her husband on three books, and together they created the Milton and Rose D. Friedman Foundation, whose focus is on helping parents have a say in the schools their children attend.

Milton Friedman is a prominent *laissez-faire* economist. The term *laissez-faire* translates loosely as "let them do as they will," and its use in economics implies a policy in which the government avoids interfering with business. Friedman sees the government's primary role as limited to regulating the supply of money in order to balance prices, output, and employment. He has been a champion of free market economy, in which tariffs and trade barriers are removed, and has advised a number of conservative politicians, from Barry Goldwater to Richard Nixon to Ronald Reagan. His policies are largely those that Margaret Thatcher put into action in her government in England in the 1980s.

Friedman's most important books are *Taxing to Prevent Inflation* (1943); *Essays in Positive Economics* (1953); *A Theory of the Consumption Function* (1957); the book many say is his most influential, *A Monetary History of the United States 1867-1960* (1963), with Anna Schwartz; *The Optimum Quantity of Money* (1969); and *Free to Choose: A Personal Statement* (1980). Rose D. Friedman co-authored the last book as well as *Capitalism and Freedom* (1962) and *Tyranny of the Status Quo* (1984). Milton and Rose Friedman have also published a memoir, *Two Lucky People* (1998), recounting their struggles and achievements. The Friedmans' work centers on monetary policy but also encompasses larger issues, such as the relationship of government to business and the relationship of the individual to capital and capitalism. Much of Milton Friedman's early work was written in the shadow of fascism and world communism, and his views strongly support more rather than less freedom. For him, freedom works in helping to produce wealth and to avoid poverty.

The essay that follows, "Created Equal," was published originally in *Free to Choose: A Personal Statement* (1980). The concept of equality interested the French statesman and author Alexis de Tocqueville, whose own essay on equality appears in this volume in the section on American Culture. Tocqueville wrote in the nineteenth century and responded to the development of the United States as a new nation in which nobility and aristocratic classes had no place and in which people regarded each other as being on an essentially equal footing. For Tocqueville, that situation was a novelty. Thomas Jefferson, too, emphasized issues of equality in the eighteenth century, and it is there that the Friedmans center their opening remarks.

The Friedmans explore exactly what the founding fathers meant by equality when they declared that "all men are created equal." The problems associated with the existence of slavery and its essential contradiction of equality persisted for one hundred fifty years until the Civil War and emancipation in 1862. The emphasis on equality before God reminds us that the concept of equality is qualified by a number of distinctions, both politically and economically. The Friedmans review some of those distinctions and attempt to clarify points that are central to their own understanding of equality.

For example, they state that when Jefferson declared that all men are created equal, he also knew that all men were very different from one another and that because they were not the same, they remained distinct in sometimes problematic ways. Jefferson himself was a man of enormous talent. He was an architect, a

successful farmer, a scientist and inventor, and a founder of a great university. He also grew wealthy enough to own a large number of slaves. The Friedmans point out that he was successful to such a degree that he might be thought superior in achievement to most contemporary Americans. In other words, he was a member of the wealthy elite.

Rather than seeing this as a problem, the Friedmans insist that this is the nature of the world: "Life is not fair" (para. 35). Some people have more talent, luck, and success than others. Yet all are equal before God and equal before the law. According to the Friedmans, the freedom to succeed—to acquire more wealth than some others, to achieve more good works than some others, to flourish more than some others—is central to the American experiment.

Government policies that restrict the freedom to succeed, whether they be excessive taxation, restrictive laws, or specific prohibitions, are forms of oppression. The Friedmans' greatest fear concerns the distinction of *equality of outcome*. The term simply means that rather than promoting equality of opportunity, the government wishes at times to guarantee that a number of people will achieve the same outcome. This desire necessitates some form of restriction that permits all people to share the wealth relatively equally—something like a handicap in horse racing. For the Friedmans, such constraints are the worst form of economic tyranny and a denial of personal freedom.

The Friedmans' Rhetoric

The primary strategy of the first parts of the passage centers on definition of terms. The Friedmans present an argument in favor of freedom and free markets, but they realize that their argument will succeed or fail in terms of the clarity of their premises and the intelligibility of their definitions. The terms *equality* and *freedom* mean different things to different people, and if the Friedmans do not clarify their terms right away, they could end up arguing at cross purposes with their readers. The Friedmans also help their argument by structuring it carefully, using six subheads to clarify its organization: "Equality before God," "Equality of Opportunity," "Equality of Outcome," "Who Favors Equality of Outcome?," "Consequences of Egalitarian Policies," and "Capitalism and Equality."

The authors' first efforts are to establish the importance of liberty for the individual and then to show how various government policies can actually impinge on individual liberty in the name of

doing something many feel is desirable: guaranteeing a good outcome for all people equally. Their views generally support the free market, which implies that individuals should be free to build a business as they see fit. They should not be hindered by heavy taxation designed to redistribute wealth from people who earn a great deal to those who earn very little. The Friedmans' argument relies on careful comparisons with Communist countries and undeveloped countries to demonstrate the calamities that can result from such programs.

One of the interesting strategies of the argument is the use of historical comparisons, both with recent nations and with classical civilizations. Milton Friedman is widely known in Japan (which has benefited from his economic theories) and introduces examples and comparisons from Asia as well as from Europe and the United States. However, he also understands the civilizations of early Greece and Rome and comments on the effects that modern "mechanical improvement" might have had on individuals in those cultures. He points out that even in Communist Russia—which still existed when he wrote this essay—the concept of equality was contradicted by the fact that the party members and the Politburo represented an upper class with wealth and privileges, whereas the ordinary workers made do with shabby goods and limited choice in the marketplace.

Ultimately this argument favors freedom of choice, freedom of opportunity, and the free capitalist market. Anything else, the Friedmans imply, suggests a restriction of freedom and ultimate unhappiness. Moreover, and most important, such restrictions contradict the principles of freedom on which the concept of equality is based.

PREREADING QUESTIONS: WHAT TO READ FOR

The following prereading questions may help you anticipate key issues in the discussion on Milton and Rose Friedman's "Created Equal." Keeping them in mind during your first reading of the selection should help focus your reactions.

- In the Friedmans' view, what is the relationship between equality and liberty?
- Why do the Friedmans disapprove of the concept of "equality of outcome"?

Created Equal

"Equality," "liberty"—what precisely do these words from the Declaration of Independence mean? Can the ideals they express be realized in practice? Are equality and liberty consistent one with the other, or are they in conflict?

Since well before the Declaration of Independence, these questions have played a central role in the history of the United States. The attempt to answer them has shaped the intellectual climate of opinion, led to bloody war, and produced major changes in economic and political institutions. This attempt continues to dominate our political debate. It will shape our future as it has our past.

In the early decades of the Republic, equality meant equality before God; liberty meant the liberty to shape one's own life. The obvious conflict between the Declaration of Independence and the institution of slavery occupied the center of the stage. That conflict was finally resolved by the Civil War. The debate then moved to a different level. Equality came more and more to be interpreted as "equality of opportunity" in the sense that no one should be prevented by arbitrary obstacles from using his capacities to pursue his own objectives. That is still its dominant meaning to most citizens of the United States.

Neither equality before God nor equality of opportunity presented any conflict with liberty to shape one's own life. Quite the opposite. Equality and liberty were two faces of the same basic value—that every individual should be regarded as an end in himself.

A very different meaning of equality has emerged in the United States in recent decades—equality of outcome. Everyone should have the same level of living or of income, should finish the race at the same time. Equality of outcome is in clear conflict with liberty. The attempt to promote it has been a major source of bigger and bigger government, and of government-imposed restrictions on our liberty.

Equality before God

When Thomas Jefferson, at the age of thirty-three, wrote "all men are created equal," he and his contemporaries did not take these words literally. They did not regard "men"—or as we would say today, "persons"—as equal in physical characteristics, emotional reactions, mechanical and intellectual abilities. Thomas

Jefferson himself was a most remarkable person. At the age of twenty-six he designed his beautiful house at Monticello (Italian for "little mountain"), supervised its construction, and, indeed, is said to have done some of the work himself. In the course of his life, he was an inventor, a scholar, an author, a statesman, governor of the State of Virginia, President of the United States, Minister to France, founder of the University of Virginia—hardly an average man.

The clue to what Thomas Jefferson and his contemporaries 7 meant by equal is in the next phrase of the Declaration—"endowed by their Creator with certain unalienable rights; that among these are Life, Liberty, and the pursuit of Happiness." Men were equal before God. Each person is precious in and of himself. He has unalienable rights, rights that no one else is entitled to invade. He is entitled to serve his own purposes and not to be treated simply as an instrument to promote someone else's purposes. "Liberty" is part of the definition of equality, not in conflict with it.

Equality before God—personal equality¹—is important pre- 8 cisely because people are not identical. Their different values, their different tastes, their different capacities will lead them to want to lead very different lives. Personal equality requires respect for their right to do so, not the imposition on them of someone else's values or judgment. Jefferson had no doubt that some men were superior to others, that there was an elite. But that did not give them the right to rule others.

If an elite did not have the right to impose its will on others, 9 neither did any other group, even a majority. Every person was to be his own ruler—provided that he did not interfere with the similar right of others. Government was established to protect that right—from fellow citizens and from external threat—not to give a majority unbridled rule. Jefferson had three achievements he wanted to be remembered for inscribed on his tombstone: the Virginia statute for religious freedom (a precursor of the U.S. Bill of Rights designed to protect minorities against domination by majorities), authorship of the Declaration of Independence, and the founding of the University of Virginia. The goal of the framers of the Constitution of the United States, drafted by Jefferson's contemporaries, was a national government strong enough to defend the country and promote the general welfare but at the same time sufficiently limited in power to protect the individual citizen, and the separate state governments, from domination by the national government. Democratic, in the sense of

¹ See J. R. Pole, *The Pursuit of Equality in American History* (Berkeley and Los Angeles: University of California Press, 1978), pp. 51–58. [Friedmans' note]

widespread participation in government, yes; in the political sense of majority rule, clearly no.

Similarly, Alexis de Tocqueville, the famous French political philosopher and sociologist, in his classic *Democracy in America*, written after a lengthy visit in the 1830s, saw equality, not majority rule, as the outstanding characteristic of America. "In America," he wrote,

the aristocratic element has always been feeble from its birth; and if at the present day it is not actually destroyed, it is at any rate so completely disabled, that we can scarcely assign to it any degree of influence on the course of affairs. The democratic principle, on the contrary, has gained so much strength by time, by events, and by legislation, as to have become not only predominant but all-powerful. There is no family or corporate authority. . . .

America, then, exhibits in her social state a most extraordinary phenomenon. Men are there seen on a greater equality in point of fortune and intellect, or, in other words, more equal in their strength, than in any other country of the world, or in any age of which history has preserved the remembrance.²

Tocqueville admired much of what he observed, but he was by no means an uncritical admirer, fearing that democracy carried too far might undermine civic virtue. As he put it, "There is . . . a manly and lawful passion for equality which incites men to wish all to be powerful and honored. This passion tends to elevate the humble to the rank of the great; but there exists also in the human heart a depraved taste for equality, which impels the weak to attempt to lower the powerful to their own level, and reduces men to prefer equality in slavery to inequality with freedom."³

It is striking testimony to the changing meaning of words that in recent decades the Democratic party of the United States has been the chief instrument for strengthening that government power which Jefferson and many of his contemporaries viewed as the greatest threat to democracy. And it has striven to increase government power in the name of a concept of "equality" that is almost the opposite of the concept of equality Jefferson identified with liberty and Tocqueville with democracy.

Of course the practice of the founding fathers did not always correspond to their preaching. The most obvious conflict was

² Alexis de Tocqueville, *Democracy in America*, 2 vols., 2d ed., trans. Henry Reeve, ed. Francis Bowen (Boston: John Allyn, Publisher, 1863), vol. I, pp. 66–67. (First French edition published in 1835.) [Friedmans' note]

³ *Ibid.*, pp. 67–68. [Friedmans' note]

slavery. Thomas Jefferson himself owned slaves until the day he died—July 4, 1826. He agonized repeatedly about slavery, suggested in his notes and correspondence plans for eliminating slavery, but never publicly proposed any such plans or campaigned against the institution.

Yet the Declaration he drafted had either to be blatantly violated 14
by the nation he did so much to create and form, or slavery had to be abolished. Little wonder that the early decades of the Republic saw a rising tide of controversy about the institution of slavery. That controversy ended in a civil war that, in the words of Abraham Lincoln's Gettysburg Address, tested whether a "nation, conceived in liberty and dedicated to the proposition that all men are created equal...can long endure." The nation endured, but only at a tremendous cost in lives, property, and social cohesion.

Equality of Opportunity

Once the Civil War abolished slavery and the concept of per- 15
sonal equality—equality before God and the law—came closer to realization, emphasis shifted, in intellectual discussion and in government and private policy, to a different concept—equality of opportunity.

Literal equality of opportunity—in the sense of "identity"—is 16
impossible. One child is born blind, another with sight. One child has parents deeply concerned about his welfare who provide a background of culture and understanding; another has dissolute, improvident parents. One child is born in the United States, another in India, or China, or Russia. They clearly do not have identical opportunities open to them at birth, and there is no way that their opportunities can be made identical.

Like personal equality, equality of opportunity is not to be inter- 17
preted literally. Its real meaning is perhaps best expressed by the French expression dating from the French Revolution: *Une carrière ouverte aux talents*—a career open to the talents. No arbitrary obstacles should prevent people from achieving those positions for which their talents fit them and which their values lead them to seek. Not birth, nationality, color, religion, sex, nor any other irrelevant characteristic should determine the opportunities that are open to a person—only his abilities.

On this interpretation, equality of opportunity simply spells out 18
in more detail the meaning of personal equality, of equality before the law. And like personal equality, it has meaning and importance precisely because people are different in their genetic and cultural

characteristics, and hence both want to and can pursue different careers.

Equality of opportunity, like personal equality, is not inconsistent with liberty; on the contrary, it is an essential component of liberty. If some people are denied access to particular positions in life for which they are qualified simply because of their ethnic background, color, or religion, that is an interference with their right to "Life, Liberty, and the pursuit of Happiness." It denies equality of opportunity and, by the same token, sacrifices the freedom of some for the advantage of others. 19

Like every ideal, equality of opportunity is incapable of being fully realized. The most serious departure was undoubtedly with respect to the blacks, particularly in the South but in the North as well. Yet there was also tremendous progress for blacks and for other groups. The very concept of a "melting pot" reflected the goal of equality of opportunity. So also did the expansion of "free" education at elementary, secondary, and higher levels—though... this development has not been an unmixed blessing. 20

The priority given to equality of opportunity in the hierarchy of values generally accepted by the public after the Civil War is manifested particularly in economic policy. The catchwords were free enterprise, competition, laissez-faire. Everyone was to be free to go into any business, follow any occupation, but any property, subject only to the agreement of the other parties to the transaction. Each was to have the opportunity to reap the benefits if he succeeded, to suffer the costs if he failed. There were to be no arbitrary obstacles. Performance, not birth, religion, or nationality, was the touchstone. 21

One corollary was the development of what many who regarded themselves as the cultural elite sneered at as vulgar materialism—an emphasis on the almighty dollar, on wealth as both the symbol and the seal of success. As Tocqueville pointed out, this emphasis reflected the unwillingness of the community to accept the traditional criteria in feudal and aristocratic societies, namely birth and parentage. Performance was the obvious alternative, and the accumulation of wealth was the most readily available measure of performance. 22

Another corollary, of course, was an enormous release of human energy that made America an increasingly productive and dynamic society in which social mobility was an everyday reality. Still another, perhaps surprisingly, was an explosion in charitable activity. This explosion was made possible by the rapid growth in wealth. It took the form it did—of nonprofit hospitals, privately endowed colleges and universities, a plethora of charitable organizations directed to helping the poor—because of the dominant values of the society, including, especially, promotion of equality of opportunity. 23

Of course, in the economic sphere as elsewhere, practice did not always conform to the ideal. Government was kept to a minor role; no major obstacles to enterprise were erected, and by the end of the nineteenth century, positive government measures, especially the Sherman Anti-Trust Law, were adopted to eliminate private barriers to competition. But extralegal arrangements continued to interfere with the freedom of individuals to enter various businesses or professions, and social practices unquestionably gave special advantages to persons born in the "right" families, of the "right" color, and practicing the "right" religion. However, the rapid rise in the economic and social position of various less privileged groups demonstrates that these obstacles were by no means insurmountable. 24

In respect of government measures, one major deviation from free markets was in foreign trade, where Alexander Hamilton's *Report on Manufactures* had enshrined tariff protection for domestic industries as part of the American way. Tariff protection was inconsistent with thoroughgoing equality of opportunity...and, indeed, with the free immigration of persons, which was the rule until World War I, except only for Orientals. Yet it could be rationalized both by the needs of national defense and on the very different ground that equality stops at the water's edge—an illogical rationalization that is adopted also by most of today's proponents of a very different concept of equality. 25

Equality of Outcome

That different concept, equality of outcome, has been gaining ground in this century. It first affected government policy in Great Britain and on the European continent. Over the past half-century it has increasingly affected government policy in the United States as well. In some intellectual circles the desirability of equality of outcome has become an article of religious faith: everyone should finish the race at the same time. As the Dodo said in *Alice in Wonderland*, "Everybody has won, and all must have prizes." 26

For this concept, as for the other two, "equal" is not to be interpreted literally as "identical." No one really maintains that everyone, regardless of age or sex or other physical qualities, should have identical rations of each separate item of food, clothing, and so on. The goal is rather "fairness," a much vaguer notion—indeed, one that it is difficult, if not impossible, to define precisely. "Fair shares for all" is the modern slogan that has replaced Karl Marx's "To each according to his needs, from each according to his ability." 27

This concept of equality differs radically from the other two. 28
Government measures that promote personal equality or equality of opportunity enhance liberty; government measures to achieve "fair shares for all" reduce liberty. If what people get is to be determined by "fairness," who is to decide what is "fair"? As a chorus of voices asked the Dodo, "But who is to give the prizes?" "Fairness" is not an objectively determined concept once it departs from identity. "Fairness," like "needs," is in the eye of the beholder. If all are to have "fair shares," someone or some group of people must decide what shares are fair—and they must be able to impose their decisions on others, taking from those who have more than their "fair" share and giving to those who have less. Are those who make and impose such decisions equal to those for whom they decide? Are we not in George Orwell's *Animal Farm*, where "all animals are equal, but some animals are more equal than others"?

In addition, if what people get is determined by "fairness" and 29
not by what they produce, where are the "prizes" to come from? What incentive is there to work and produce? How is it to be decided who is to be the doctor, who the lawyer, who the garbage collector, who the street sweeper? What assures that people will accept the roles assigned to them and perform those roles in accordance with their abilities? Clearly, only force or the threat of force will do.

The key point is not merely that practice will depart from the 30
ideal. Of course it will, as it does with respect to the other two concepts of equality as well. The point is rather that there is a fundamental conflict between the *ideal* of "fair shares" or of its precursor, "to each according to his needs," and the *ideal* of personal liberty. This conflict has plagued every attempt to make equality of outcome the overriding principle of social organization. The end result has invariably been a state of terror: Russia, China, and, more recently, Cambodia offer clear and convincing evidence. And even terror has not equalized outcomes. In every case, wide inequality persists by any criterion; inequality between the rulers and the ruled, not only in power, but also in material standards of life.⁴

The far less extreme measures taken in Western countries in the 31
name of equality of outcome have shared the same fate to a lesser extent. They, too, have restricted individual liberty. They, too, have failed to achieve their objective. It has proved impossible to define "fair shares" in a way that is generally acceptable, or to satisfy the

⁴ See Smith, *The Russians, and Kaiser, Russia: The People and the Power*. Nick Eberstadt, "Has China Failed?" *The New York Review of Books*, April 5, 1979, p. 37, notes, "In China, . . . income distribution seems very roughly to have been the same since 1953." [Friedmans' note]

members of the community that they are being treated "fairly." On the contrary, dissatisfaction has mounted with every additional attempt to implement equality of outcome.

Much of the moral fervor behind the drive for equality of outcome comes from the widespread belief that it is not fair that some children should have a great advantage over others simply because they happen to have wealthy parents. Of course it is not fair. However, unfairness can take many forms. It can take the form of the inheritance of property—bonds and stocks, houses, factories; it can also take the form of the inheritance of talent—musical ability, strength, mathematical genius. The inheritance of property can be interfered with more readily than the inheritance of talent. But from an ethical point of view, is there any difference between the two? Yet many people resent the inheritance of property but not the inheritance of talent. 32

Look at the same issue from the point of view of the parent. If you want to assure your child a higher income in life, you can do so in various ways. You can buy him (or her) an education that will equip him to pursue an occupation yielding a high income; or you can set him up in a business that will yield a higher income than he could earn as a salaried employee; or you can leave him property, the income from which will enable him to live better. Is there any ethical difference among these three ways of using your property? Or again, if the state leaves you any money to spend over and above taxes, should the state permit you to spend it on riotous living but not to leave it to your children? 33

The ethical issues involved are subtle and complex. They are not to be resolved by such simplistic formulas as "fair shares for all." Indeed, if we took that seriously, youngsters with less musical skill should be given the greatest amount of musical training in order to compensate for their inherited disadvantage, and those with greater musical aptitude should be prevented from having access to good musical training; and similarly with all other categories of inherited personal qualities. That might be "fair" to the youngsters lacking in talent, but would it be "fair" to the talented, let alone to those who had to work to pay for training the youngsters lacking talent, or to the persons deprived of the benefits that might have come from the cultivation of the talents of the gifted? 34

Life is not fair. It is tempting to believe that government can rectify what nature has spawned. But it is also important to recognize how much we benefit from the very unfairness we deplore. 35

There's nothing fair about Marlene Dietrich's having been born with beautiful legs that we all want to look at; or about Muhammad Ali's having been born with the skill that made him a great fighter. But on the other side, millions of people who have enjoyed looking 36

at Marlene Dietrich's legs or watching one of Muhammad Ali's fights have benefited from nature's unfairness in producing a Marlene Dietrich and a Muhammad Ali. What kind of a world would it be if everyone were a duplicate of everyone else?

It is certainly not fair that Muhammad Ali should be able to earn 37 millions of dollars in one night. But wouldn't it have been even more unfair to the people who enjoyed watching him if, in the pursuit of some abstract ideal of equality, Muhammad Ali had not been permitted to earn more for one night's fight—or for each day spent in preparing for a fight—than the lowest man on the totem pole could get for a day's unskilled work on the docks? It might have been possible to do that, but the result would have been to deny people the opportunity to watch Muhammad Ali. We doubt very much that he would have been willing to undergo the arduous regimen of training that preceded his fights, or to subject himself to the kind of fights he has had, if he were limited to the pay of an unskilled dockworker.

Still another facet of this complex issue of fairness can be illus- 38 trated by considering a game of chance, for example, an evening at baccarat. The people who choose to play may start the evening with equal piles of chips, but as the play progresses, those piles will become unequal. By the end of the evening, some will be big winners, others big losers. In the name of the ideal of equality, should the winners be required to repay the losers? That would take all the fun out of the game. Not even the losers would like that. They might like it for the one evening, but would they come back again to play if they knew that whatever happened, they'd end up exactly where they started?

This example has a great deal more to do with the real world 39 than one might at first suppose. Every day each of us makes decisions that involve taking a chance. Occasionally it's a big chance—as when we decide what occupation to pursue, whom to marry, whether to buy a house or make a major investment. More often it's a small chance, as when we decide what movie to go to, whether to cross the street against the traffic, whether to buy one security rather than another. Each time the question is, who is to decide what chances we take? That in turn depends on who bears the consequences of the decision. If we bear the consequences, we can make the decision. But if someone else bears the consequences, should we or will we be permitted to make the decision? If you play baccarat as an agent for someone else with his money, will he, or should he, permit you unlimited scope for decision making? Is he not almost certain to set some limit to your discretion? Will he not lay down some rules for you to observe? To take a very different example, if the government (i.e., your fellow taxpayers) assumes the costs of

flood damage to your house, can you be permitted to decide freely whether to build your house on a floodplain? It is no accident that increasing government intervention into personal decisions has gone hand in hand with the drive for "fair shares for all."

The system under which people make their own choices—and bear most of the consequences of their decisions—is the system that has prevailed for most of our history. It is the system that gave the Henry Fords, the Thomas Alva Edisons, the George Eastmans, the John D. Rockefellers, the James Cash Penneys the incentive to transform our society over the past two centuries. It is the system that gave other people an incentive to furnish venture capital to finance the risky enterprises that these ambitious inventors and captains of industry undertook. Of course, there were many losers along the way—probably more losers than winners. We don't remember their names. But for the most part they went in with their eyes open. They knew they were taking chances. And win or lose, society as a whole benefited from their willingness to take a chance.

The fortunes that this system produced came overwhelmingly from developing new products or services, or new ways of producing products or services, or of distributing them widely. The resulting addition to the wealth of the community as a whole, to the well-being of the masses of the people, amounted to many times the wealth accumulated by the innovators. Henry Ford acquired a great fortune. The country acquired a cheap and reliable means of transportation and the techniques of mass production. Moreover, in many cases the private fortunes were largely devoted in the end to the benefit of society. The Rockefeller, Ford, and Carnegie foundations are only the most prominent of the numerous private benefactions which are so outstanding a consequence of the operation of a system that corresponded to "equality of opportunity" and "liberty" as these terms were understood until recently.

One limited sample may give the flavor of the outpouring of philanthropic activity in the nineteenth and early twentieth century. In a book devoted to "cultural philanthropy in Chicago from the 1880's to 1917," Helen Horowitz writes:

At the turn of the century, Chicago was a city of contradictory impulses: it was both a commercial center dealing in the basic commodities of an industrial society and a community caught in the winds of cultural uplift. As one commentator put it, the city was "a strange combination of pork and Plato."

A major manifestation of Chicago's drive toward culture was the establishment of the city's great cultural institutions in the 1880's and early 1890's (the Art Institute, the Newberry Library,

the Chicago Symphony Orchestra, the University of Chicago, the Field Museum, the Crerar Library)....

These institutions were a new phenomenon in the city. Whatever the initial impetus behind their founding, they were largely organized, sustained, and controlled by a group of businessmen.... Yet while privately supported and managed, the institutions were designed for the whole city. Their trustees had turned to cultural philanthropy not so much to satisfy personal aesthetic or scholarly yearnings as to accomplish social goals. Disturbed by social forces they could not control and filled with idealistic notions of culture, these businessmen saw in the museum, the library, the symphony orchestra, and the university a way to purify their city and to generate a civic renaissance.³

Philanthropy was by no means restricted to cultural institutions. 43
There was, as Horowitz writes in another connection, "a kind of explosion of activity on many different levels." And Chicago was not an isolated case. Rather, as Horowitz puts it, "Chicago seemed to epitomize America."⁶ The same period saw the establishment of Hull House in Chicago under Jane Addams, the first of many settlement houses established throughout the nation to spread culture and education among the poor and to assist them in their daily problems. Many hospitals, orphanages, and other charitable agencies were set up in the same period.

There is no inconsistency between a free market system and the 44
pursuit of broad social and cultural goals, or between a free market system and compassion for the less fortunate, whether that compassion takes the form, as it did in the nineteenth century, of private charitable activity, or, as it has done increasingly in the twentieth, of assistance through government—provided that in both cases it is an expression of a desire to help others. There is all the difference in the world, however, between two kinds of assistance through government that seem superficially similar: first, 90 percent of us agreeing to impose taxes on ourselves in order to help the bottom 10 percent, and second, 80 percent voting to impose taxes on the top 10 percent to help the bottom 10 percent—William Graham Sumner's famous example of B and C deciding what D shall do for A.⁷ The first may be wise or unwise, an effective or an ineffective way to help

³ Helen Lefkowitz Horowitz, *Culture and the City* (Lexington: University Press of Kentucky, 1976), pp. ix–x. [Friedmans' note]

⁶ *Ibid.*, pp. 212 and 31. [Friedmans' note]

⁷ "The Forgotten Man," in Albert G. Keller and Maurice R. Davis, eds., *Essays of William G. Sumner* (New Haven: Yale University Press, 1934), vol. 1, pp. 466–96. [Friedmans' note]

the disadvantaged—but it is consistent with belief in both equality of opportunity and liberty. The second seeks equality of outcome and is entirely antithetical to liberty.

Who Favors Equality of Outcome?

There is little support for the goal of equality of outcome despite the extent to which it has become almost an article of religious faith among intellectuals and despite its prominence in the speeches of politicians and the preambles of legislation. The talk is belied alike by the behavior of government, of the intellectuals who most ardently espouse egalitarian sentiments, and of the public at large. 45

For government, one obvious example is the policy toward lotteries and gambling. New York State—and particularly New York City—is widely and correctly regarded as a stronghold of egalitarian sentiment. Yet the New York State government conducts lotteries and provides facilities for off-track betting on races. It advertises extensively to induce its citizens to buy lottery tickets and bet on the races—at terms that yield a very large profit to the government. At the same time it tries to suppress the “numbers” game, which, as it happens, offers better odds than the government lottery (especially when account is taken of the greater ease of avoiding tax on winnings). Great Britain, a stronghold, if not the birthplace, of egalitarian sentiment, permits private gambling clubs and betting on races and other sporting events. Indeed, wagering is a national pastime and a major source of government income. 46

For intellectuals, the clearest evidence is their failure to practice what so many of them preach. Equality of outcome can be promoted on a do-it-yourself basis. First, decide exactly what you mean by equality. Do you want to achieve equality within the United States? In a selected group of countries as a whole? In the world as a whole? Is equality to be judged in terms of income per person? Per family? Per year? Per decade? Per lifetime? Income in the form of money alone? Or including such nonmonetary items as the rental value of an owned home; food grown for one’s own use; services rendered by members of the family not employed for money, notably the housewife? How are physical and mental handicaps or advantages to be allowed for? 47

However you decide these issues, you can, if you are an egalitarian, estimate what money income would correspond to your concept of equality. If your actual income is higher than that, you can keep that amount and distribute the rest to people who are below that level. If your criterion were to encompass the world—as most 48

egalitarian rhetoric suggests it should—something less than, say, \$200 a year (in 1979 dollars) per person would be an amount that would correspond to the conception of equality that seems implicit in most egalitarian rhetoric. That is about the average income per person worldwide.

What Irving Kristol has called the “new class”—government bureaucrats, academics whose research is supported by government funds or who are employed in government financed “think-tanks,” staffs of the many so-called “general interest” or “public policy” groups, journalists and others in the communications industry—are among the most ardent preachers of the doctrine of equality. Yet they remind us very much of the old, if unfair, saw about the Quakers: “They came to the New World to do good, and ended up doing well.” The members of the new class are in general among the highest paid persons in the community. And for many among them, preaching equality and promoting or administering the resulting legislation has proved an effective means of achieving such high incomes. All of us find it easy to identify our own welfare with the welfare of the community. 49

Of course, an egalitarian may protest that he is but a drop in the ocean, that he would be willing to redistribute the excess of his income over his concept of an equal income if everyone else were compelled to do the same. On one level this contention that compulsion would change matters is wrong—even if everyone else did the same, his specific contribution to the income of others would still be a drop in the ocean. His individual contribution would be just as large if he were the only contributor as if he were one of many. Indeed, it would be more valuable because he could target his contribution to go to the very worst off among those he regards as appropriate recipients. On another level compulsion would change matters drastically: the kind of society that would emerge if such acts of redistribution were voluntary is altogether different—and, by our standards, infinitely preferable—to the kind that would emerge if redistribution were compulsory. 50

Persons who believe that a society of enforced equality is preferable can also practice what they preach. They can join one of the many communes in this country and elsewhere, or establish new ones. And, of course, it is entirely consistent with a belief in personal equality or equality of opportunity and liberty that any group of individuals who wish to live in that way should be free to do so. Our thesis that support for equality of outcome is word-deep receives strong support from the small number of persons who have wished to join such communes and from the fragility of the communes that have been established. 51

Egalitarians in the United States may object that the fewness of 52
communes and their fragility reflect the opprobrium that a predomi-
nantly "capitalist" society visits on such communes and the resulting
discrimination to which they are subjected. That may be true for the
United States but as Robert Nozick⁸ has pointed out, there is one
country where that is not true, where, on the contrary, egalitarian
communes are highly regarded and prized. That country is Israel. The
kibbutz played a major role in early Jewish settlement in Palestine and
continues to play an important role in the state of Israel. A dispropor-
tionate fraction of the leaders of the Israeli state were drawn from the
kibbutzim. Far from being a source of disapproval, membership in a
kibbutz confers social status and commands approbation. Everyone is
free to join or leave a kibbutz, and kibbutzim have been viable social
organizations. Yet at no time, and certainly not today, have more than
about 5 percent of the Jewish population of Israel chosen to be mem-
bers of a kibbutz. That percentage can be regarded as an upper esti-
mate of the fraction of people who would voluntarily choose a system
enforcing equality of outcome in preference to a system characterized
by inequality, diversity, and opportunity.

Public attitudes about graduated income taxes are more mixed. 53
Recent referenda on the introduction of graduated state income
taxes in some states that do not have them, and on an increase in the
extent of graduation in other states, have generally been defeated.
On the other hand, the federal income tax is highly graduated, at
least on paper, though it also contains a large number of provisions
("loopholes") that greatly reduce the extent of graduation in prac-
tice. On this showing, there is at least public tolerance of a moderate
amount of redistributive taxation.

However, we venture to suggest that the popularity of Reno, Las 54
Vegas, and now Atlantic City is no less faithful an indication of the
preferences of the public than the federal income tax, the editorials
in the *New York Times* and the *Washington Post*, and the pages of the
New York Review of Books.

Consequences of Egalitarian Policies

In shaping our own policy, we can learn from the experience of 55
Western countries with which we share a common intellectual and
cultural background, and from which we derive many of our values.

⁸ Robert Nozick, "Who Would Choose Socialism?" *Reason*, May 1978, pp. 22-
23. [Friedmans' note]

Perhaps the most instructive example is Great Britain, which led the way in the nineteenth century toward implementing equality of opportunity and in the twentieth toward implementing equality of outcome.

Since the end of World War II, British domestic policy has been 56 dominated by the search for greater equality of outcome. Measure after measure has been adopted designed to take from the rich and give to the poor. Taxes were raised on income until they reached a top rate of 98 percent on property income and 83 percent on "earned" income, and were supplemented by ever heavier taxes on inheritances. State-provided medical, housing, and other welfare services were greatly expanded, along with payments to the unemployed and the aged. Unfortunately, the results have been very different from those that were intended by the people who were quite properly offended by the class structure that dominated Britain for centuries. There has been a vast redistribution of wealth, but the end result is not an equitable distribution.

Instead, new classes of privileged have been created to replace 57 or supplement the old: the bureaucrats, secure in their jobs, protected against inflation both when they work and when they retire; the trade unions that profess to represent the most downtrodden workers but in fact consist of the highest paid laborers in the land—the aristocrats of the labor movement; and the new millionaires—people who have been cleverest at finding ways around the laws, the rules, the regulations that have poured from Parliament and the bureaucracy, who have found ways to avoid paying taxes on their income and to get their wealth overseas beyond the grasp of the tax collectors. A vast reshuffling of income and wealth, yes; greater equity, hardly.

The drive for equality in Britain failed, not because the wrong 58 measures were adopted—though some no doubt were; not because they were badly administered—though some no doubt were; not because the wrong people administered them—though no doubt some did. The drive for equality failed for a much more fundamental reason. It went against one of the most basic instincts of all human beings. In the words of Adam Smith, "The uniform, constant, and uninterrupted effort of every man to better his condition"⁹—and, one may add, the condition of his children and his children's children. Smith, of course, meant by "condition" not merely material well-being, though certainly that was one component. He had a much broader concept in mind, one that included all

⁹ *Wealth of Nations*, vol. I, p. 325 (Book II, Chap. III). [Friedmans' note]

of the values by which men judge their success—in particular the kind of social values that gave rise to the outpouring of philanthropic activities in the nineteenth century.

When the law interferes with people's pursuit of their own values, they will try to find a way around. They will evade the law, they will break the law, or they will leave the country. Few of us believe in a moral code that justifies forcing people to give up much of what they produce to finance payments to persons they do not know for purposes they may not approve of. When the law contradicts what most people regard as moral and proper, they will break the law—whether the law is enacted in the name of a noble ideal such as equality or in the naked interest of one group at the expense of another. Only fear of punishment, not a sense of justice and morality, will lead people to obey the law. 59

When people start to break one set of laws, the lack of respect for the law inevitably spreads to all laws, even those that everyone regards as moral and proper—laws against violence, theft, and vandalism. Hard as it may be to believe, the growth of crude criminality in Britain in recent decades may well be one consequence of the drive for equality. 60

In addition, that drive for equality has driven out of Britain some of its ablest, best-trained, most vigorous citizens, much to the benefit of the United States and other countries that have given them a greater opportunity to use their talents for their own benefit. Finally, who can doubt the effect that the drive for equality has had on efficiency and productivity? Surely, that is one of the main reasons why economic growth in Britain has fallen so far behind its continental neighbors, the United States, Japan, and other nations over the past few decades. 61

We in the United States have not gone as far as Britain in promoting the goal of equality of outcome. Yet many of the same consequences are already evident—from a failure of egalitarian measures to achieve their objectives, to a reshuffling of wealth that by no standards can be regarded as equitable, to a rise in criminality, to a depressing effect on productivity and efficiency. 62

Capitalism and Equality

Everywhere in the world there are gross inequities of income and wealth. They offend most of us. Few can fail to be moved by the contrast between the luxury enjoyed by some and the grinding poverty suffered by others. 63

In the past century a myth has grown up that free market capitalism—equality of opportunity as we have interpreted that term—increases such inequalities, that it is a system under which the rich exploit the poor. 64

Nothing could be further from the truth. Wherever the free market has been permitted to operate, wherever anything approaching equality of opportunity has existed, the ordinary man has been able to attain levels of living never dreamed of before. Nowhere is the gap between rich and poor wider, nowhere are the rich richer and the poor poorer, than in those societies that do not permit the free market to operate. That is true of feudal societies like medieval Europe, India before independence, and much of modern South America, where inherited status determines position. It is equally true of centrally planned societies, like Russia or China or India since independence, where access to government determines position. It is true even where central planning was introduced, as in all three of these countries, in the name of equality. 65

Russia is a country of two nations: a small privileged upper class of bureaucrats, Communist party officials, technicians; and a great mass of people living little better than their great-grandparents did. The upper class has access to special shops, schools, and luxuries of all kind; the masses are condemned to enjoy little more than the basic necessities. We remember asking a tourist guide in Moscow the cost of a large automobile that we saw and being told, "Oh, those aren't for sale; they're only for the Politburo." Several recent books by American journalists document in great detail the contrast between the privileged life of the upper classes and the poverty of the masses.¹⁰ Even on a simpler level, it is noteworthy that the average wage of a foreman is a larger multiple of the average wage of an ordinary worker in a Russian factory than in a factory in the United States—and no doubt he deserves it. After all, an American foreman only has to worry about being fired; a Russian foreman also has to worry about being shot. 66

China, too, is a nation with wide differences in income—between the politically powerful and the rest; between city and countryside; between some workers in the cities and other workers. A perceptive student of China writes that "the inequality between rich and poor regions in China was more acute in 1957 than in any of the larger nations of the world except perhaps Brazil." He quotes another scholar as saying, "These examples suggest that the Chinese industrial 67

¹⁰ See Smith, *The Russians*, and Kaiser, *Russia: The People and the Power*. [Friedmans' note]

wage structure is not significantly more egalitarian than that of other countries." And he concludes his examination of equality in China, "How evenly distributed would China's income be today? Certainly, it would not be as even as Taiwan's or South Korea's. . . . On the other hand, income distribution in China is obviously more even than in Brazil or South America. . . . We must conclude that China is far from being a society of complete equality. In fact, income differences in China may be quite a bit greater than in a number of countries commonly associated with 'fascist' elites and exploited masses."¹¹

Industrial progress, mechanical improvement, all of the great wonders of the modern era have meant relatively little to the wealthy. The rich in Ancient Greece would have benefited hardly at all from modern plumbing: running servants replaced running water. Television and radio—the patricians of Rome could enjoy the leading musicians and actors in their home, could have the leading artists as domestic retainers. Ready-to-wear clothing, supermarkets—all these and many other modern developments would have added little to their life. They would have welcomed the improvements in transportation and in medicine, but for the rest, the great achievements of Western capitalism have redounded primarily to the benefit of the ordinary person. These achievements have made available to the masses conveniences and amenities that were previously the exclusive prerogative of the rich and powerful.

In 1848 John Stuart Mill wrote:

Hitherto it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the comforts of the middle classes. But they have not yet begun to effect those great changes in human destiny, which it is in their nature and in their futurity to accomplish.¹²

No one could say that today. You can travel from one end of the industrialized world to the other and almost the only people you will find engaging in backbreaking toil are people who are doing it for sport. To find people whose day's toil has not been lightened by mechanical invention, you must go to the noncapitalist world: to Russia, China, India or Bangladesh, parts of Yugoslavia; or to the more

¹¹ Nick Eberstadt, "China: How Much Success," *New York Review of Books*, May 3, 1979, pp. 40–41. [Friedmans' note]

¹² John Stuart Mill, *The Principles of Political Economy* (1848), 9th ed. (London: Longmans, Green & Co., 1886), vol. II, p. 332 (Book IV, Chap. VI). [Friedmans' note]

backward capitalist countries—in Africa, the Mideast, South America; and until recently, Spain or Italy.

Conclusion

A society that puts equality—in the sense of equality of outcome—ahead of freedom will end up with neither equality nor freedom. The use of force to achieve equality will destroy freedom, and the force, introduced for good purposes, will end up in the hands of people who use it to promote their own interests. 71

On the other hand, a society that puts freedom first will, as a happy by-product, end up with both greater freedom and greater equality. Though a by-product of freedom, greater equality is not an accident. A free society releases the energies and abilities of people to pursue their own objectives. It prevents some people from arbitrarily suppressing others. It does not prevent some people from achieving positions of privilege, but so long as freedom is maintained, it prevents those positions of privilege from becoming institutionalized; they are subject to continued attack by other able, ambitious people. Freedom means diversity but also mobility. It preserves the opportunity for today's disadvantaged to become tomorrow's privileged and, in the process, enables almost everyone, from top to bottom, to enjoy a fuller and richer life. 72

QUESTIONS FOR CRITICAL READING

1. What is the difference between equality of opportunity and equality of outcome?
2. What effect does a policy that guarantees equality of outcome have on freedom?
3. Explain the Friedmans' attitude toward the concept of "Equality before God" (paras. 6–14).
4. What is the meaning of "laissez-faire"?
5. What role should government play in regulating the nation's economic system?
6. What is "personal equality"?
7. What advantages does a free market give the "right people"?

SUGGESTIONS FOR WRITING

1. The Friedmans make a strong case for equality of opportunity. However, some critics might say that they actually make a case for permitting the highly advantaged to exploit the less advantaged. This would

give those with exceptional economic talent and skills a free reign to make millions while those who are ordinary would spend a life in relative poverty. The Friedmans explain that life is not fair, so such distinctions will naturally occur. How can you defend their views? How can you attack their views?

2. The Friedmans discuss the inheritance of property and the inheritance of talent in paragraphs 32 to 34. If government stands aside on the question of inheritance of talent—which could contribute considerably to the economic success of an individual—why should it not stand aside on the question of inheritance of property? Compare the two and take your own stand on what role government should have in relation to the inheritance of qualities or property that might give an individual a considerable advantage in life.
3. Examine the question of fairness in this essay. The complex idea of “fair share,” which is discussed in detail in paragraphs 34 to 41, is dealt with in a manner that is intended to convince you that the Friedmans’ position is accurate and desirable. Analyze their position and decide whether or not they are right.
4. In paragraphs 17 to 25, the Friedmans closely examine whether or not we can expect equality of opportunity “to be interpreted literally.” Establish their position on this question and then argue the question for yourself. How do you interpret this idea, and what do you personally believe in? Attempt to convince someone who does not agree with you.
5. The Friedmans argue that “[e]quality of opportunity, like personal equality, is not inconsistent with liberty; on the contrary, it is an essential component of liberty” (para. 19). Why would they feel it necessary to make this statement? Is there any sense in which equality of opportunity might actually be inconsistent with liberty? Examine the entire essay in an effort to make an argument that contradicts the Friedmans’ assumption. If possible, draw on your own research.
6. **CONNECTIONS** The Friedmans have something to say about the effect of machines and mechanical inventions on working people in underdeveloped countries. Karl Marx also comments on the use of machines and its effect on worker morale. How, ultimately, do machines affect the working class in terms of either limiting or expanding personal opportunity?
7. **CONNECTIONS** This essay assumes that Jefferson’s ideas in the Declaration of Independence generally agree with the positions espoused by the Friedmans. Re-read Jefferson and evaluate this assumption for yourself: Does Jefferson seem to be in absolute agreement with the Friedmans, or have the Friedmans reinterpreted Jefferson for their own purposes? Use quotations from Jefferson’s Declaration to support your answer.