Introduction

The introduction lays out the principles of Friedman's archetypal liberal, a man who supports limited and dispersed governmental power. Friedman opts for the continental European, rather than American, definition of the term.

i. The Relation between Economic Freedom and Political Freedom

In this chapter, Friedman promotes economic freedom as both a necessary freedom in itself and also as a vital means for political freedom. He argues that, with the means for production under the auspicies of the government, it is nearly impossible for real dissent and exchange of ideas to exist. Additionally, economic freedom is important, since any "bi-laterally voluntary and informed" transaction must benefit both parties to the transaction.

ii. The Role of Government in a Free Society

According to the author, the government of a liberal society should enforce law and order and property rights, as well as take action on certain technical monopolies and diminish negative "neighborhood effects." The government should also have control over money, as has long been recognized in the constitution and society

iii. The Control of Money

He discusses the evolution of money in America, culminating in the Federal Reserve Act of 1913. Far from acting as a stabilizer, the Federal Reserve failed to act as it should have in several circumstances. Friedman proposes that the Federal Reserve have a consistent rule to increase the money supply by 3-5% annually.

iv. International Financial and Trade Arrangements

This chapter advocates the end of the Bretton Woods system in favor of a floating exchange rate system and the end of all currency controls and trade barriers, even "voluntary" export quotas. Friedman says that this is the only true solution to the balance of trades problem.

v. Fiscal Policy

Friedman argues against the continual government spending being used to "balance the wheel" and help the economy to continue to grow. Federal government expenditures do not make the economy more stable, but have failed to balance out recession, introduced inflation, expanded government control, and failed to lighten tax burdens. Friedman uses concrete evidence from his own research, demonstrating that the rise in government expenditures results in a roughly equal rise in GDP, contrasting with the Keynsian multiplier theory. Many reasons for this discrepancy are discussed.

vi. The Role of Government in Education

The policy advocated here is vouchers which students may use for education at a private school of their choice. The author believes that everyone, in a democracy, needs a basic education for citizenship. Though there is underinvestment in human capital (in terms of spending at technical and professional schools), it would be foolish of the government to provide free technical education. The author suggests several solutions, some private, some public, to stop this underinvestment.

vii. Capitalism and Discrimination'

In a capitalist society, Friedman argues, it costs money to discriminate, and it is very difficult, given the impersonal nature of market transactions. However, the government should not make fair employment practices laws (eventually embodied in the Civil Rights Act of 1964), as these inhibit the freedom to employ someone based on whatever qualifications the employer wishes to use. The same principle was used by the Nazis in the Nuremberg Laws. For the same reason, right-to-work laws should be abolished.

viii. Monopoly and the Social Responsibility of Business and Labor

Friedman states, there are three alternatives for a monopoly: public monopoly, private monopoly, or public regulation. None of these is desirable or universally preferable. Monopolies come from many sources, but direct and indirect government intervention is the most common, and it should be stopped wherever possible. The doctrine of "social responsibility", that corporations should care about the community and not just profit, is highly subversive to the capitalist system and can only lead towards totalitarianism.

ix. Occupational Licensure

This economist takes a radical stance against all forms of state licensure. The biggest advocates for licenses in an industry are, usually, the people in the industry, wishing to keep out potential competitors. The author defines registration, certification, and licensing, and, in the context of doctors, explains why the case for each one of these is weaker than the previous one. There is no liberal justification for licensing doctors; it results in inferior care and a medical cartel.

x. The Distribution of Income

Friedman examines the progressive income tax, introduced in order to redistribute income to make things more fair, and finds that, in fact, the rich take advantage of numerous loopholes, nullifying the redistributive effects. It would be far more effective just to have a uniform flat tax with no deductions, which could meet the 1962 tax revenues with a rate only slightly greater than the lowest tax bracket at that time.

xi. Social Welfare Measures

Though well-intentioned, many social welfare measures don't help the poor as much as some think. Friedman focuses on Social Security as a particularly large and unfair system.

xii. Allieviation of Poverty

He advocates a negative income tax to fix the issue, giving everyone a guaranteed minimum income, rather than current measures, which he sees as misguided and inefficient.

xiii. Conclusion

The conclusion to the book centers on how, time and time again, government intervention often has an effect opposite of that intended. Most good things in the United States and the world come from the free market, not the government, and they will continue to do so. The government, despite its good intentions, should stay out of areas where it does not need to be.