I. Contemporary Theory of Free Market

A. Milton Friedman and his Theory

1. Friedman

a. University of Chicago School of Economics

b. “school of thought”: Chicago School

c. ultra laissez faire

d. assumptions

i. “pure capitalism” was natural phenomenon

ii. economics is a science

iii. market is governed by laws: “a jeweled set of movements” “celestial clockwork”

iv. modern economies experience problems because they are highly distorted/impure

v. goal: eliminate distortions and return to “pure capitalism”

vi. support: mathematical models (not historical evidence)

“Science is Measurement”

2. Further

a. capitalism leads to human and political freedom.

b. market and individual autonomy

i. self-directed individuals pursuing economic ends

ii. negotiating market place as consumers or entrepeneurs

iii. exercising free will through consumer choices

iv. creates autonomous individuals

c. autonomous individualism leads to:

i. democracy

ii. religious freedom

d. freedom is consequence of capitalism

3. Distortions

a. government imposed rules and regulations

b. public ownership

c. “welfare”

4. Solutions

a. deregulation: eliminate all rules and regulations standing in the way of the accumulation of profit

i. labor regulations

ii. government regulation

iii. taxes

iv. tort reform

b. privatization:

i. private industry more efficient than government

ii. “. . . opportunity” New Orleans (123 to 4, 7 to 31)

iii. health care, post office, education, social security,

national parks

c. eliminate social programs: distorts the marketplace

d. globalization and free trade

5. Shock doctrine: Disaster Capitalism

a. bitter medicine

b. people are used to government intervention

c. they need a shock and then ‘therapy.”

d. create shock or take advantage of disaster

“For us, the fear and disorder offered real promise.”

e. impose “ free market” therapy

i. privatize publicly owned industries

ii. privatize public services

iii. eliminate social welfare programs

iv. no tariffs or subsidies

v. government deregulation

vi. “right to work”