I. Contemporary Theory of Free Market

A. Milton Friedman,

1. Friedman

a. University of Chicago School of Economics

b. “school of economic thought”: Chicago School

c. ultra laissez faire

d. assumptions

i. “pure capitalism” is 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 individual political freedom.

b. capitalism eliminates discrimination: religion, race, and social groups

3. Distortions

a. government imposed rules and regulations

b. public ownership

c. “welfare”

d. globally-tariffs, subsidies, price controls

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

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. global free market (“free trade”)

5. Friedman: shock doctrine

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.”

i. natural disaster

ii. economic crisis

iii. political/military coup

iv. war

e. impose “ free market” therapy

i. privatize publicly owned industries/property

ii. privatize public services

iii. eliminate social welfare programs

iv. government deregulation

eliminate environmental, health and safety

regulation

eliminate labor regulation

eliminate unions

financial liberalization

v. rescind rights of indigenous peoples

vi. violence against resistance

f. examples: tsunami, Iraq War, India