

ROBINSON Welcome to Uncommon Knowledge, I'm Peter Robinson. Our show today, libertarianism. Our guest, the Nobel prize winning economist, Milton Friedman. For millions of Americans motorcycles represent freedom, rugged individualism. The pleasures of roaring along the open road while the wind streams through your hair, well it would stream your hair if you didn't have a helmet on. When he gets on his bike every motorcyclist has a choice to make, wear the helmet and achieve greater safety, take the helmet off and have more fun. Every motorcyclist has a choice to make that is except in the more than 20 states, including this state of California, that require the use of the helmet by law. And that's just the kind of issue we'll be talking about with Milton Friedman today. As a libertarian, Dr. Friedman believes in the maximum possible freedom for the individual. Yet he also recognizes the need for certain government functions. Which functions? How does he decide when it is legitimate for the government to take some of our freedom away? Dr. Friedman and I won't be talking about motorcycle helmets, but we will be discussing the larger issues of how a libertarian looks at public safety, protecting the environment, or deciding the right size of government itself. We begin by asking Dr. Friedman just what is a libertarian.

ROBINSON The typical definition of libertarianism in my mind is that a libertarian wants the smallest, least intrusive government consistent with...

FRIEDMAN Consistent with the maximum freedom for each individual to follow his own ways, his own values, as long as he doesn't interfere with anybody else who's doing the same.

ROBINSON Ok, consistent with the maximum freedom of each individual as long as he doesn't interfere with other individuals pursuing their own freedom.

FRIEDMAN But as a matter of fact there are two really different versions of libertarianism. The more extreme version of libertarianism has one central principle- it is immoral to initiate force on anyone else. That's the prime view, that's the Ayn Rand type of libertarianism.

ROBINSON So the coercive power of the state is immoral in and of itself...

FRIEDMAN Immoral in and of itself..and all you need to know to know that something of the state is immoral is whether it involves the initiation of force. That's one brand, now there's another brand which is one I would be favorable to which you could call consequentialist libertarianism. And it's the one you've just defined.

ROBINSON Well you've just defined it, but thank you, I'll take the credit. I see the way you work with graduate students...Now, if I may, let me take you through a series questions that are floating around in the modern mind and ask how a libertarian addresses them. Question number one, the environment. Now, it would strike a lot of people living in Manhattan that Central Park is very important to their lives and that if Milton Friedman had his way, it would be

turned over to the market and buried under skyscrapers and parking lots within 18 months or however long it takes Donald Trump to put the structures up.

FRIEDMAN It doesn't take a governmental agency to maintain the theaters in New York. It doesn't take a government agency to maintain the museums, the art museums in New York, the Museum of Modern Art is not a government museum, it's a private. It happens to be there two kinds, there are private-for-profit enterprises and not-for-profit enterprises like the museum, like the opera house and so on. In the same way, if Central Park were not owned by the government, it never would've become the filthy place it became. You forget, what happened to Central Park. We for years, for some years, a long long time ago, lived on Central Park West when we were in New York. [ROBINSON Pretty good address] This was during the war. [ROBINSON Even then it was a very good address.] It wasn't a bad address but it wasn't particularly good. But we were able to take our children down to the park when they were babies and leave them with a teenage sitter and no one was worried about safety. But in more recent years, until the very recent years, Central Park came to be a place where you wouldn't dare to do that, it wasn't safe. That was because it was a government park. The central principle is that nobody takes care of somebody else's property as well as he takes care of his own. If Central Park were privately owned it would be advantageous to provide recreational spaces.

ROBINSON Now you just touched on something very important because one of the things I'm trying to distinguish here is the extent to which your libertarianism is effectively a moral position, you do it because it's right and just, it creates the greatest conditions of justice and the extent to which you do it because it works. And it sounds to me as though you have both reasons pretty well wrapped up.

FRIEDMAN Absolutely, if it didn't work...the main thing is, if it didn't work, it would be an impossible goal. The only reason there's any chance of keeping government limited is because government is so inefficient and does so poorly.

ROBINSON During the Industrial Revolution of the 19th century, government in Britain was very limited and economic enterprise went all but unregulated yet that wasn't exactly a golden age now was it?

GHOST OF CAPITALISM PAST

ROBINSON Again and again you will hear that we've tried, the Western world has already tried laissez-faire, let her rip economics and it ended up with the London that Charles Dickens portrayed "dirty, filthy, child-labor" just a terrible mess. What do you do..how did that come to be?

FRIEDMAN It was a terrible mess but what cleaned it up?

ROBINSON Disraeli and his social...the child labor laws...

FRIEDMAN No, no what cleaned it up was the progress of private enterprise because you had a...the reason it was so messy was because you had to burn coal and the kind of coal that was available in Britain was very smokey and messy. And once you were able to use oil, natural gas, better furnaces, all of those things is what it made it possible to clean London up. Now so far as child labor is concerned..what happens is, what happens in the picture that's drawn of Britain in the 19th century is that there's no image of what went before. Of why is it that all these people from the farming, from the rural areas came to the city. Did they come to the city because they thought it would be worse? Or because they thought it would be better? And was it worse or was it better? In the early days, you know there are very few things that are 100% black or 100% white, there are various shades of grey. And what we aim for is the least shade of grey that's possible. I'm not going to say that all was rosy in Britain at the time, it wasn't. But look around the world today. Where is it least rosy? -In those countries where things that are run by the government not in those countries where private enterprises are. And the same thing was true in Britain, the conditions in the rural areas, on the farms, were far worse than conditions in the city, but they were not visible, they were hidden, nobody saw them. [ROBINSON Dickens didn't stroll around the countryside..] Right..

ROBINSON So what you're saying then is that this mental image that drives even to this day so much of the environmental debate is simply, it may be true as far it goes, but you'd advise greater historical understanding.

FRIEDMAN But not only historical, present. Where are the most polluted areas in the world? [ROBINSON Today.] Today. In Russia! [ROBINSON Russia? Right.] Why? Because everything in Russia was controlled by the government. There were no, and I keep emphasizing, nobody's going to take care of somebody else's property as well as they'll take care of his own.

ROBINSON But who should take care of the resources that we all share, such as the air we breathe?

BREATHING LESSONS

ROBINSON I want to push you one more time on the environment- air. Here in California it turns out there are 30 million people who like to breath. And we have, particularly in the L.A. basin, smog beginning in the 1970's that the environmental movement begins to...

FRIEDMAN Oh no, the smog went back 200 years. There are stories of the Indians describing that as a smoggy area.

ROBINSON So part of what's going on is it's natural.

FRIEDMAN But no doubt, the thing about that is there is an argument for government requiring those who impose costs on third parties to pay for them. And the point is with respect to smog, the efficient way to do it is to use the market.

ROBINSON How do you create property rights in the air, say?

FRIEDMAN When you do it now, by selling the right to emit a certain amount of pollutants into the air. You now have a market in effluent rights.

ROBINSON For large manufacturing concerns..

FRIEDMAN For manufacturing concerns, which is where most of it comes from. And you do the same by charging essentially making it requirement that automobiles have to have [ROBINSON The catalytic convertors] Catalytic convertors and that's effectively making individuals be responsible for costs they impose others. Remember what I said is- the key feature of a libertarian view is that you should be free to do what you want provided you don't prevent other people from doing the same thing. And so the only case for government is when it is not feasible for market arrangements to make individuals pay, to compensate others for any harm they impose on them. If you and I enter into an agreement to buy or sell something, well that's our business. You may lose, I may lose , or more likely we're both going to win. We're not going to enter into it unless both of us think it's better for us. But there are cases like the power plant that emits smoke that dirties my shirt in which the company is imposing a cost on me for which I'm not being compensated. Those are the only cases, but you have to qualify that by noting that when government enters in, it also is emitting smoke, it's also imposing cost on third parties because it's always a very imperfect arrangement and moreover it always has to collect taxes and the process of collecting taxes is, as I always say, there's a smokestack on the back of every government program.

ROBINSON A smoke stack on the back of every government program- by that you mean, a distortion in the marketplace..

FRIEDMAN Right, imposing a cost on third parties for which the third parties are not compensated.

ROBINSON And so the key characteristic in which you find a circumstance where it's legitimate for the government to intervene would typically be where property rights are vague or diffuse, is that correct?

FRIEDMAN And where it's almost impossible to make them precise. That is a problem in the case of the power plant is that there is no way in which you can say you have to get the agreement of each of the persons whose shirt you're going to dirty and pay him for the privilege of dirtying their shirt before you can do it.

ROBINSON So on the environment, the greens actually do have a point, that is one area where there is a strong case...

FRIEDMAN But in most cases in practice, when you look at it, and there are some people up at PERC as you know who have Terry Anderson, who I'm sure has been on your program, who have demonstrated that there are many many cases in which market arrangements are far more effective than command and control arrangements.

ROBINSON But there must be some area- food and drugs for example where public safety can only be insured through government involvement, right?

DRUG-STALL COWBOYS

ROBINSON The Food and Drug Administration which regulates everything from the drugs that pharmaceutical companies may put on the market to the ingredients in items we purchase off the grocery store shelves. Let me give you an example- Thalidomide [FRIEDMAN Everybody's favorite example...] Well I may be leading with my chin on this one but I'm going to lead with it anyway. 50's and 60's it is marketed in Europe as a drug to help women get through the nausea that they sometimes experience during pregnancy. The Food and Drug Administration said it had been inadequately tested in the United States and forbade it to be marketed in this country with the result that thousands of children were born with horrible birth defects in Europe to mothers who had used Thalidomide but that didn't happen to American children, because the FDA had intervened and kept that drug off the market. Thank god for the FDA, right?

FRIEDMAN Wrong [ROBINSON Alright, why?] this is a case in which they did save lives, this was a good case, but suppose they are equally slow in adopting a drug which turns out to be very good and beneficial. How would you ever see the lives that are lost because of that? You're an FDA official, you have a question of whether to approve or disapprove a new drug. If you approve it and it turns out to be a bad drug like Thalidomide, you're in the soup, your name is going to be on every front page [ROBINSON cost me my job, I get hauled up to Congress to testify..] right. On the other hand if you disapprove it, but it turns out to be good, well then later on you approve it four or five years later, nobody's going to complain about the fact that you didn't approve it earlier except those greedy pharmaceutical companies that want make profits at the expense of the public, as everybody will say. So the result is that the pressure on the FDA is always to be late in approving. And there's enormous evidence that they have caused more deaths by late approvals than they have saved by early approval.

ROBINSON So your view is abolish the FDA..

FRIEDMAN Absolutely [ROBINSON And what comes up in its place?] what comes up? It's in the self-interest of pharmaceutical companies not to have these bad things. Do you think the

manufacturer of Thalidomide made a profit out of Thalidomide or lost? [ROBINSON I see, ok.] And you have to have..people should be responsible for harm that they do. It should've been possible...[ROBINSON So tort law takes care of a lot of this.] Absolutely, absolutely..

ROBINSON Alright, if Lilly or Merck comes up with a drug that does me harm, I go after them, I join a class action with everybody else who's taken that pill and we sue them for billions of dollars and wipe out their share holders equity. Seeing that, they have every interest to be extremely rigorous in testing that drug before they make it available.

FRIEDMAN Let me give you a different example. The rules imposed on airlines, for safety. Who has the most interest in preventing airline accidents.

ROBINSON After the passenger themselves, the airlines.

FRIEDMAN Well it's not even clear that the passengers have more interest than the airlines because included in the passengers are the pilots. [ROBINSON Right, of course] Why is the government going to improve airline safety? How are they going to do it? How do they add any incentive to anybody to improve airline safety?

ROBINSON Does Milton Friedman really oppose all health and safety regulation? Let me try this one on him- doesn't the public have the right to know about the nutritional content of the food it buys?

PRIVATE LABELS

ROBINSON Obesity is a big problem in this country [FRIEDMAN yes indeed...] But up until recent years it was very tough for a dieter to pick up a package in the grocery store and figure out what the ingredient were, what the carbohydrate content is, the fat calories and so on and so forth. So the government imposes quite modest rules for posting the nutritional values on packages in the grocery store. Now you can either say this has so much fat this has less fat, I'll buy this. Now isn't that a modest and completely acceptable government intervention?

FRIEDMAN Now let's keep going... and the government also prevents useful information from being passed on. Let me give you this simplest example- aspirin, you know and I know that you're well advised to take an aspirin every other day to reduce the danger of heart attack. But that's not allowed to be stated on an aspirin package. [ROBINSON On account of...] FDA prohibits it, they control the information that can be stated on a label. Now there are some libertarian manufacturers of drugs who have proposed, who tried to push through the idea that they can put on their thing, this is what the FDA says and this is what we say- choose. And they're not being allowed to do it. So that if customers really wanted to know about the ingredient, it would be in the self-interest of the people producing it to put it on their packages.

Those packages that had the ingredients on it would be more attractive to consumers than those that didn't. But now, it's always a mystery to me why people think that some experts in a Washington office who don't know you, don't know me, don't know our children, know better than you and I do what we want to have on our packages and what we want our children to know.

ROBINSON Once again, on balance , get rid of the FDA. Get rid of these government regulations?

FRIEDMAN Absolutely. The FDA initially had the requirement to assure the safety but not the efficacy of the drugs that they approved. With the so-called Kefauver-Harris amendments that came in as a result of Thalidomide which you brought up, the FDA was, expanded its mandate that it is required to assure both the safety and the efficacy of the drugs and that has enormously raised the cost of getting drugs approved. If you wanted to have a halfway house you could go back to the earlier standard where the FDA had to certify the safety but did not have to express a judgment on the efficacy.

ROBINSON The FDA simply ensures that pharmaceutical companies live up to the old dictum, first do no harm. This pill may not change your life but it won't hurt you, therefore it may be marketed. OK, now let me another case, and this one I think is pretty tough Milton for a libertarian. Alright? So you're allowed to take a deep breath before I hit you with this one if you want to. Civil rights.

FRIEDMAN What do you mean by civil rights?

ROBINSON What I mean by civil rights is to take a raw case, the South, under Jim Crow in the 1950's.

FRIEDMAN But that was a case of too much government [ROBINSON It was? But I thought the South in those days had relatively had low tax rates, relatively low regulation...] No, no, but the government provided for a separation. It was the government that enforced separate areas for blacks and whites, it was the government that enforced the law that the blacks had to sit at the back of buses. Those were all government laws!

ROBINSON In the absence of those government laws it wouldn't have taken place? In other words..

FRIEDMAN In the absence of government laws, you would've had a gradual development, it would've taken place somewhere and not everywhere and you would've...look what happened in the north where there weren't those government laws. There may have been, undoubtedly don't misunderstand me, there is prejudice, there's no question, and undoubtedly it has bad affects on various people but in the absence of the laws in the south it would've broken down much faster and much earlier. If you could site any case for libertarianism, that's it.

ROBINSON Milton Friedman has told us why the government's role in our lives should be limited, but how limited? Let's ask him about the structure about the federal government itself.

CABINET REMODELING

ROBINSON I have a list here of the 14 cabinet departments, now 14 is a lot for television so I want to just go right down the list quickly and have you give me a thumbs up or thumbs down, keep them or abolish them? Department of Agriculture?

FRIEDMAN Abolish.

ROBINSON Gone. Department of Commerce?

FRIEDMAN Abolish.

ROBINSON Gone. Department of Defense?

FRIEDMAN Keep.

ROBINSON Keep it? Department of Education?

FRIEDMAN Abolish.

ROBINSON Gone. Energy?

FRIEDMAN Abolish. Except that energy ties in with military.

ROBINSON Well then we shove it under defense, the little bit that handles the nuclear, plutonium and so forth goes under Defense but we abolish the rest of it. Health and Human Services?

FRIEDMAN There is room for some public health activities to prevent contagion, such a thing as for example..

ROBINSON So you keep the National Institute of Health say and Center for Disease Control..

FRIEDMAN No, no, no those are mostly research agencies....No, no that's a question of whether the government should be involved in financing research.

ROBINSON And the answer is no?

FRIEDMAN Well that's a very complicated issue and it's not an easy answer with respect to that.

ROBINSON We'll eliminate half of the Department of Health and Human Services?

FRIEDMAN Yes, something like that..

ROBINSON OK one half. Housing and Urban Development?

FRIEDMAN No.

ROBINSON Didn't even pause over that one...Department of the Interior?

FRIEDMAN Oh but Housing and Urban Development has done a enormous amount of harm. My god, if you think of the way in which they've destroyed parts of cities under the rubric of eliminating slums. You remember Martin Anderson wrote a book on the federal bulldozer describing the effect of the urban development. There've been many more dwelling units torn down in the name of public housing than have been built.

ROBINSON Jack Kemp has proposed selling to the current inhabitants of public housing their unit- their townhouse, their apartment for a dollar apiece and just shifting the ownership to the people who live..

FRIEDMAN If you got rid of the Department of Housing and Urban Development, it would be worth doing that.

ROBINSON Alright, done. That's gone. Department of the Interior, your beloved national park service?

FRIEDMAN Well, given the problem there is you first have to sell off all the land that the government owns but that's what you should do.. [ROBINSON But it could be done pretty quickly..] It could be done, you should do that, there's no reason for the government to own...the government now owns something like 1/3 of all the land in the country.

ROBINSON And that's too much, should go down to zero.

FRIEDMAN Should go down, well not entirely zero. They ought to own the land on which government buildings are on.

ROBINSON Ok, terrific. Department of Justice?

FRIEDMAN Oh yes, keep that one.

ROBINSON Labor?

FRIEDMAN No.

ROBINSON Gone. State?

FRIEDMAN Keep.

ROBINSON Keep it. Transportation?

FRIEDMAN Gone.

ROBINSON Gone. The Treasury?

FRIEDMAN You have to keep it to collect taxes.

ROBINSON Alright collect taxes through the Treasury. Veteran's Affairs?

FRIEDMAN You can regard the Veteran Affairs as a way of paying essentially salaries for services of those who've been in the armed forces but you ought to be able to get rid of it.

[ROBINSON Pay it off?] Pay it off.

ROBINSON Pay off lump sums perhaps, and just get rid of it. OK Milton Friedman, if you are made dictator for one day, the next day..

FRIEDMAN No, no I don't want to be made dictator. I don't believe in dictators. I believe we want to bring about change by the agreement for the citizens, I don't believe in...If we can't persuade the public that it's desirable to do these things, we have no right to impose them even if we have the power to do it.

ROBINSON From 14 departments down to 4 ½ .

FRIEDMAN Basic fundamental functions, what are its fundamental functions? To preserve the peace, defend the country, provide a mechanism whereby individuals can adjudicate their disputes, that's the Justice Department, protect individuals from being coerced by other individuals, the policing function, and now this is both the central government and the state and local government. The police function is primarily local and central. And those are the fundamental functions of government in my opinion.

ROBINSON Milton Friedman, thank you very much.

Dr. Friedman believes in limited government, very limited government. If I understand his principles correctly, he'd say that the choice whether to wear motorcycle helmet shouldn't be between me and the State government in Sacramento but between me and if anyone and my insurance company. Better keep those premiums down...I'm Peter Robinson, thanks for joining us.