

Issued 9/26

Capitalism and Its Critics
14.72
Fall, 2012
Professor Michael Piore

Essay I
Due October 15, 2012

Write a five to seven page essay on the following topic:

The critical elements in any social or economic theory are twofold:

1. a characterization of human beings and their ~~motivation~~;
2. a notion of how and why individual human beings come together to form a community or a social system.

Ayn Rand vs
Milton Friedman

Compare and contrast the way in which Ayn Rand answers these questions to the way in which Milton Friedman does so. In particular, what role does the social system play in The Fountainhead? In Capitalism and Freedom?

Planning

Characterization of humans

Their motivations

Social system

~~Not~~
(Not much on economic)

What is the social system in The Fountainhead?

↳ well economic is normal

Roark is an actor motivated by his passions
But it could very well be \$

Which is the same thing Friedman proposed?
I need to read the details on their
arguments more

2

Motivations are diff (as he said in lecture)

~~But~~ Friedman: \$
Rand: passions

but could imagine a Roth that was interested in \$

Or the other characters

- political power
- \$
- love

But they were ultimately tampered / limited by the market

Social system

both similar

loosely associated system

in which actors are free to establish their passions

②③

W/G
4:50P

Never read Fountainhead → problem
should review for key pts

Friedman

political freedom

both individualism

↳ as the basic unit

Society = collection of individuals

Liberalism

1. All ind = → Rand doesn't believe

2. Rational → ? Friedman believes
Rand doesn't

3. All ind the same → Both don't believe

4. Driven by their desires/preferences



Neoclassical

Scarce resources + unlimited desires

- Land
- Labor
- Capital

~~the~~ economic growth \rightarrow being more efficient
and through trade

People ^{try to} maximize happiness.

~~the~~ markets are competitive

So I read the wrong Friedman essay
↳ inexact professor!

5

Capitalism + Freedom

~~political~~ economic freedom needed for political freedom

transactions should be vol.

need law + order + property rights

gov should ~~also~~ protect

and should establish a currency
and auto stabilize

TI am remembering bits + pieces

floating ex rates

No trade barriers

no gov spending to balance econ

↳ no multiplier

Vouchers for schools

discrim is bad, but no need for right-to-work laws

⑥

no professional licensing → keeps out legit players

~~The~~ progressive tax useless w/ deductions

just have flat tax

Social security large + unfair

Wants reg income tax for guaranteed min income

So not that close to The Fountainhead

The Fountainhead

(should also study characters)

(Char list → read)

(rewatched part of the movie)

(I think I get the gist)

7

Review essay structure

- Characterization of humans
- their motivations
- their social structure

Roth: motivated by passions

Could well be \$

Friedman: everyone should be able to follow their passions - political + economic freedom

Motivation

F: \$

A: Passion

Political power

Love

Both held to the market
most continue to what it suits
↳ Roth becomes a store worker

8

Prompt: Compare + Contrast

- characterization of humans
- motivation
- social system

Could answer all 3 sepately

That way I make sure I answer the qv
And divide up my thinking

Yeah think thats good

Characterization of Human

(w/o including motivation
or do combine if I think it will help)

Ryand i simple non \$ motivations

9

Friedman: Economic + political connected

Sepethy: Utility function
↳ that is based of wealth

Could do broader neoclassical
that way could hardware over what
they believe in

Both look at individual

Objectivity → reality is ind of mind/consciousness
objects + facts

Sense perception

Can get objective knowledge from
concept formation + inductive logic

moral purpose of life is pursuit
of self interest

⑩

indiv rights in laissez faire capitalism
important

Need some structure to turn this into 5 paras!
Support!

Writing

this is a ~~locally~~ locally optimal = globally optimal

Does Asak see cash as a challenge

Does Gail value \$
or power?

power > money deb

(11)

Buildings property of Rook since he des'ched from

Why is Rook so modernist

- which was in 70s (y. 211) the state
over individual → urban cleaning

How humans form a social system

- long description of Friedmann's view

- ~~the~~ Rand says little

What would Rand say about imperfect men?

Also w/ altruism
The talked about, right?

What would Rand say about economic systems

(12)

The tenses are all screwed up

But All the overall thesis is coming together!

How do they differ?

What roles do social systems play in
the books

- very diff since one fictional

how would you describe?

(insert public housing dig)

~~→~~

↑
prob not the way we should address

I'd rather talk about this

13



Rereading notes

How
why does Greenspan think of
himself as a Roark?

Less interventionist
Prof de ~~reg~~ regulatory
(but not personally?)
like he has a mission?

idea: innovation → like Roark
artists

drive growth

(what did Friedman believe in w/ r growth)

ideas are the property of their creators

diff: traditional econ no value judgements

Could argue Rand is doing that

ie Gail's control is futile

I never tried to argue this

(14)

Friedman concerned w/ abuse of power

(didn't have in Rand notes about altruism?)

↳ couldn't find it
perhaps we did on another day...

humans are rational
will make best decisions

~~Robert Rand~~ ~~we~~

↳ I ^{think} ~~said~~ both agree based on their utility
Fn

X 9/20 } Rand doesn't care about everyone
 } Friedman does ↑ makes quick judgments

↑ we can kinda see in that he doesn't
talk about this in his book

~~the~~ Friedman wants to replace gov programs

↳ Neg income tax

(15)

but no but only if you want to redistribute
(check closer)

Back to writing

Friedman + graph → technology?

didn't seem to say much

but of course believed in it

did Rand speak much about it?

hmm, ship it

Ideas property of creators

Friedman's property of owner

Friedman on distribution

(6)

Random or merit---

If anything \rightarrow reg tax

He ignores behavioral economics

- give a drink \$100 \rightarrow he spends on beer
- not put in bank

- also has no bank acct - no one will give him one

Ok now sum up differences

I think I need one more

1. Ideas property of creators
2. Care for everyone
3. ? Money primacy force?
vs passion

- I said same

(17)

(Reviewing Draft 1)

this really came together

Draft 1 10/7 1AM

Essay 1: The Individual in Friedman and Rand

Michael Plasmeier

Both Ayn Rand and Milton Friedman believe in the primacy of the individual and the need for a free-market economy. Rand and Friedman both believe that people should be free to follow their passions. Friedman believes in the economic imperative for each person to be free to make economic choices and pick the outcome that is most consistent with their own personal utility functions. Rand's characters in The Fountainhead have different goals. Howard Roark is driven by his vision of architecture. He is unwilling to bend from his vision, even working in a stone quarry to make ends meet. Gail Wynard is driven by his desire for power. Both Friedman and Rand believe that laissez-faire capitalism, with its minimal government oversight, is the best economic system. However, both allow for a government that preserves basic law and order and prevents individuals from impinging on the rights of other individuals.

tightened up

Rand and Friedman also disagree on certain points. In The Fountainhead, we see that ideas are the property of their creators when Roark is acquitted from blowing up Cortlandt Homes. Friedman, along with most people, would believe that ideas are the property of their owners. Rand also made value judgments about certain desires in The Fountainhead while Friedman would have left each individual to decide their own utility function.

Characterization of Human Beings

Both Rand and Friedman look at the individual as the basic level of analysis. Unlike Communists and Collectivists, Rand and Friedman both thought of the individual as the key decision makers. The Fountainhead is about a number of individuals, each with their own perspectives on the world. When

one individual hurts the investment of another group (when Roark blows up *Cortlandt Homes*), the individual is let off the hook because he has some sort of ownership over the buildings because he designed them. Under Rand ideas are the property of creators. The possibility that society might somehow benefit by having more housing, albeit with a slightly lower quality design, is totally ignored in the *Fountainhead*. So are the property rights of the investors who paid for the construction.

Friedman would not support this disrespect for investor's property. Under Friedman and most economists, ideas are the property of their owners. Buildings are not built on their own for free. Instead, a capitalist must front the investment needed for the materials and labor. That person must make a monetary return in order to be compensated for the risk they take supporting the building. Friedman would have been outraged that Roark, an architect not even hired on the project, would blow up the partially built projects.

In *Capitalism and Freedom*, Friedman speaks about the requirement of economic freedom in order for an individual to be truly free. Friedman rejects the arguments of unnamed intellectuals who see economic freedom as simply about the materialistic aspects of life. However, Friedman recognizes that economics "[effects] the concentration or dispersion of power."¹ If an individual has to get approval to change jobs, then they are not free. That individual cannot follow their passions. In addition, this would also make the market less efficient, because force would be required to maintain such a state. In addition, a trade is by-definition mutually beneficial. Individuals would pursue a trade only if it is beneficial to themselves. Basically Friedman is arguing that a locally optimal decision is globally optimal. Another aspect of freedom, Friedman believes, is for individuals to advocate for a change to structure of society. Under capitalism, individuals could advocate for socialism, if they wished. However, the reverse would not be true.

¹ pg

Motivation of Humans Beings

Rand and Friedman both believed that the purpose of life is for humans to have the freedom to explore their own interests.

Friedman believes in the utility curve.² Utility is an economic concept for the amount of personal satisfaction, joy, or usefulness an individual derives from a decision. Friedman and other neoclassical economists believe that individuals make decisions based on their own utility curve. In addition, each person has their own utility curve and that curve varies from time and place. For example, while one individual might want French fries, while another would rather avoid them due to their fat content. As such, utility is not strictly correlated with money. In addition, an individual may value non-economic factors. Individuals make decisions based on their utility curves, not just the dollar sign on the purchase.

Rand's book The Fountainhead is about a man, Howard Roark, who follows his passions above else. Roark is not willing to bend his will to anyone else. Rather than accept modifications to a bank building he designed, Roark refuses the job all together. Instead, Roark becomes a manual laborer in order to earn money. Roark's utility function highly valued artistic freedom above more material factors. This nicely matches Friedman's belief that economic freedom is more important than just material wealth. However, one could easily imagine a Roark that is extremely passionate about something else. For example, a different Roark could be extremely passionate about being a businessman and making the most money possible. They might not be interested in the well-being society, or even the value of money, they just use money as a marker for success. They see earning money as a challenge to do well on, just as Roark is driven by his architectural ideas.

² <http://www.jstor.org.libproxy.mit.edu/stable/1826045?seq=3>

In fact, other characters in the Fountainhead are examples of this. Gail is interested in running The Banner and influencing public opinion. He is definitely interested more in the power that the Banner provides, then the cash it generates.

In fact, Rand shows some of the character's preferences in a negative light. Ellsworth Toohey represents a collectivist spirit, for example by saying "Don't set out to raze all shrines – you'll frighten men. Enshrine mediocrity, and the shrines are razed." However, Rand clearly shows Toohey in a negative light as the villain of the book.

Meanwhile Friedman does speak about income inequality, but believes that it exists because of economic factors – one individual might have worked more than another individual. But he makes no attempt to try to make non-economic value judgments about individuals. Friedman sticks to a purely economic view. In fact, Friedman even mentions the possibility of a negative income tax, or a refundable tax credit as a way to help the poor.³ Ayn Rand makes no mention of the poor, and would probably see capitalism as the best solution.⁴

Both Friedman and Roark agree that each individual has their own goals, and that there are different ways to measure progress towards that goal.

Forming a Social System

Friedman realizes that individuals cannot operate solely on their own – there is a need for society to set up a government in order to perform certain functions. For example, government is needed as "rule maker" and an "umpire." Friedman explains that there is a distinction between the rules and the game that is played under those rules. Government should be only involved in setting the rules, without

³ Capitalism and Freedom p.192

⁴ Peikoff, Leonard (1991). Objectivism: The Philosophy of Ayn Rand. New York: Dutton. ISBN 0-452-01101-9.

getting involved in the game. In addition, government should act as an “umpire” or arbitrator for disputes. Friedman attributes the need to this because the world is made up of “imperfect men.”

Ayn Rand similarly believes in the imperfect man.⁵ Rand also goes one step further and believes that altruism is something that cannot be achieved.

Friedman also believes that a government will need to find a way to deal with the mentally disabled, which he calls “madmen.”⁶ Society cannot tolerate them to make their own decisions, so it must make some rules regarding their care. In addition, while parents should have wide latitude about what to do with their children, there are certain limits to what parents can do to their children. Friedman does recognize that this is a slippery slope that can easily slide into socialism.

In addition, Friedman believes that a government is needed to “provide a stable monetary framework for the economy.”⁷ However, he does not want monetary policy to be manipulated to reach certain economic goals such as “economic growth” or “economic growth.” Friedman and other neoclassical believes that these actions disrupt the economy too much, hurting it. Instead, the government should implement an automatic system where the money in circulation expands at a fixed, predetermined rate.

Rand’s Objectivism theory puts individual liberty at the heart of society. But Rand also put limits on individual liberty. In *Capitalism: The Unknown Ideal* Rand says that “man's mind will not function at the point of a gun.”⁸ This comes from Rand’s belief in reason and persuasion, which is best through logic, not force. In *The Virtue of Selfishness* Rand further believes that each individual has a right to act on their own, but no individual has the right to impede on other’s rights.⁹ Rand believed in an economic system

⁵ <http://www.noblesoul.com/orc/texts/moral2.html>

⁶ Capitalism and Freedom p33

⁷ Capitalism and Freedom p38

⁸ P141

⁹ P110

that allowed individuals to follow their passions, namely “full, pure, uncontrolled, unregulated laissez-faire capitalism”.¹⁰

The Social System in the Fountainhead

The social system in The Fountainhead provides the foundation that the book is built on. The book reflects New York City in the 1930s. In that time, New York was a free market system with less regulation than today. Roark seemed to flourish in that environment, since he was able to search for clients until he was able to find the proper patrons for his work.

The Modernist Architectural Style

However, I thought there were some incongruities with his architectural style. The modernist style he built in is currently regarded as a mistaken, socialist detour in the history of architecture. Not only did Communist nations embrace the same plain, unadorned style Roark favored, but Roark’s plans for *Cortlandt Homes* pay a distinctive resemblance to much of public housing built in New York after the publication of Rand’s book. In these projects it was fashionable to remove the old, “dilapidated” housing in poor areas and replace it with large scale, public developments. Some critics, such as Jane Jacob’s 1961 Death and Life of Great American Cities severely criticized the “slum clearance” as replacing



Roark's Cortlandt Homes



New York City Public Housing

¹⁰ Rand, Ayn (1964). *The Virtue of Selfishness* (paperback ed.). New York: Signet. ISBN 0-451-16393-1. P37

perfectly good neighborhoods with drug-filled crime havens. This gave rise to the preservationist movement. Today we almost exclusively criticize the modernist projects Roark championed as out of scale with the surrounding environment. The forced slum clearances represented a very liberal, paternalistic thinking on behalf of the government over the individual that both Friedman and Rand would have found abhorrent. Friedman even speaks against public housing on p178 of Capitalism and Freedom. I wonder what Roark would have thought about the government adopting his style of architecture and forcing it on the urban poor.

Conclusion

one fiction, one belief

Draft 2 10/7 2AM

Essay 1

Read 10/13 IIP
raise

The Individual in Friedman and Rand

Michael Plasmeier

Both Ayn Rand and Milton Friedman believe in the primacy of the individual and the need for a free-market economy. Rand and Friedman both believe that people should be free to follow their passions. Friedman believes in the economic imperative for each person to be free to make economic choices and pick the outcome that is most consistent with their own personal utility functions, whether those are monetary or otherwise. Rand's characters in The Fountainhead have differing objectives, though Rand makes value judgments about those goals. Both Friedman and Rand believe that laissez-faire capitalism, with its minimal government oversight, is the best economic system. However, both allow for a government that preserves basic law and order and prevents individuals from impinging on the rights of other individuals. Though in The Fountainhead, we see that ideas are the property of their creators when Roark is acquitted from blowing up Cortlandt Homes. Friedman, along with most people, would believe that ideas are the property of their owners, and Roark would have no right to deprive the investors of their investment.

Characterize as being

motivations just like Friedman

unlike Friedman

objectives motivations

See the need though

as a community or social system

Friedman world say

- don't really include the prompt in the intro
though I touch on it Fixed

Characterization of Human Beings

Both Rand and Friedman look at the individual as the basic level of analysis. Unlike Communists and Collectivists, Rand and Friedman both think of the individual as the key decision makers. The Fountainhead is about a number of individuals, each with their own perspectives on the world.

Present tense
believe

not believe

Economic Freedom

In Capitalism and Freedom, Friedman speaks about the requirement of economic freedom in order for an individual to be truly free. Friedman rejects the arguments of unnamed intellectuals who see economic freedom as simply about the materialistic aspects of life.¹ He sees economic freedom as essential. If an individual has to get approval to change jobs, then they are not free. That individual cannot follow their passions. In addition, a trade is by-definition mutually beneficial. Individuals would pursue a trade only if it is beneficial to themselves. Maintaining the opposite system would be less efficient, because force would be required to maintain such a state. Another aspect of freedom, Friedman believes, is for individuals to *be able to* advocate for a change to structure of society. A large group of individual must be able to change the system that they operate under. *where some trades are not beneficial*

Ideas are Whose Property?

In The Fountainhead, when one individual hurts the investment of another group, (when Roark blows up *Cortlandt Homes*) that individual is let off the hook because, under Rand, ideas are the property of creators. The possibility that society might somehow benefit by having more housing, albeit with a slightly lower quality design, is totally ignored in The Fountainhead. So are the property rights of the investors who paid for the construction.

Friedman would not support this disrespect for investor's property. Under Friedman and most economists, ideas are the property of their owners. Buildings are something more than just architectural ideas, they are an investment. Buildings are not built on their own for free; a capitalist must front the investment needed for the materials and labor. That person must make a monetary return in order to be compensated for the risk they take supporting the building so that they can make *their money*

¹ Capitalism and Freedom p.10

back by charging rent. Friedman would have been outraged that Roark, an architect not even hired on the project, would ~~blow~~^{blow} up the partially built projects. *and was acquitted*

Motivation of Humans Beings

at 1st

Rand and Friedman both believed that the purpose of life is for humans to have the freedom to explore their own interests.

economic freedom

Utility Functions

Friedman believes in the utility curve.² Utility is an economic concept ^{that is} for the amount of personal satisfaction, joy, or usefulness an individual derives from a decision. Friedman and other neoclassical economists believe that individuals make decisions based on their own utility curve. Each person has their own utility curve and that curve varies from time and place ^{to fine from place to place} and may or may not be based on monetary factors. One individual may value a job where one can exercise their creativity, while another may value a job with high pay ^{er} more. ~~As such, utility is not just based off of money.~~

We can see this in The Fountainhead. Roark's utility function highly values artistic freedom above material factors. Howard Roark follows his passions above else. Roark is not willing to bend his will to anyone else. Rather than accept modifications to a bank building he designed, Roark refuses the job all together. Instead, Roark becomes a manual laborer in order to earn money.

However, one could easily imagine a Roark that is extremely passionate about something else. For example, a different Roark could be extremely passionate about carpentry, or sports. ~~But~~^A Roark could be a big philanthropist – dedicated to ending the suffering of others. Another Roark could want to make the most money possible. They might not be interested in the value of money; they just use

² <http://www.jstor.org.libproxy.mit.edu/stable/1826045?seq=3>

clean up

money as a marker for success. They see earning money as a challenge to do well on, just as Roark is driven by his architectural ideas.

In fact, other characters in the Fountainhead are examples of this. Gail is interested in running The Banner and influencing public opinion. Gail is more interested in the power that the Banner provides, ^{than} ~~the~~ the cash it generates.

Value Judgments by the Author

Rand shows some of the character's preferences in a negative light. Ellsworth Toohey represents the collectivist spirit. However, Rand clearly shows Toohey in a negative light as the villain of the book. (example)

For example, Toohey is always criticizing Roark's work

Meanwhile, Friedman does speak about income inequality, but believes that it exists because of economic factors – one individual might have worked more than another individual. But Friedman makes no attempt to try to make non-economic value judgments about individuals. Friedman sticks to a purely economic view. In fact, Friedman even mentions the possibility of a negative income tax, or a refundable tax credit as a way to help the poor.³ Ayn Rand makes no mention of the poor, ^{though} ~~and would~~ ~~probably see capitalism as the best solution.~~⁴ *cut - unrelated*

Both Friedman and Roark agree that each individual has their own goals, and that there are different ways to measure progress towards that goal.

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The social system in The Fountainhead provides the foundation that the book is built on. The book reflects New York City in the 1930s. In that time, New York was a free market system with less regulation than today. Roark ~~seemed~~ ^{seems} to flourish in that environment, since he ~~was able to search for~~ clients until he was able to find the proper patrons for his work. ^{had the freedom to}

The Role of Government

Friedman realizes that individuals cannot operate solely on their own – there is a need for society to set up a government in order to perform certain functions. For example, government is needed as “rule maker” and an “umpire.” ^{as} ^(citation) Friedman explains that there is a distinction between the rules and the game that is played under those rules. Government should be only involved in setting the rules, without getting involved in the game. In addition, government should act as an “umpire” or arbitrator for disputes. Friedman attributes the need to this because the world is made up of “imperfect men.”

Ayn Rand similarly believes in the imperfect man.⁵ Rand also goes one step further and believes that altruism is something that cannot be achieved.⁶

Both also see the need for additional government services. Friedman also believes that a government will need to find a way to deal with the mentally disabled, which he calls “madmen.”⁷ Society cannot tolerate them to make their own decisions, so it must make some rules regarding their

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⁶ Citation

⁷ Capitalism and Freedom p33

care. In addition, while parents should have wide latitude about what to do with their children, there are certain limits to what parents can do to their children.⁸ Friedman does recognize that this is a slippery slope that can easily slide into socialism.⁹

In addition, Friedman believes that a government is needed to “provide a stable monetary framework for the economy.”¹⁰ However, he does not want monetary policy to be manipulated to reach certain economic goals such as “economic growth” or “economic growth.” Friedman and other neoclassical believes that these actions disrupt the economy too much, hurting it. Instead, the government should implement an automatic system where the money in circulation expands at a fixed, predetermined rate.

Put earlier

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⁸ Capitalism and Freedom p33

⁹ Capitalism and Freedom p34

¹⁰ Capitalism and Freedom p38

¹¹ P141

¹² P110

¹³ Rand, Ayn (1964). *The Virtue of Selfishness* (paperback ed.). New York: Signet. ISBN 0-451-16393-1. P37

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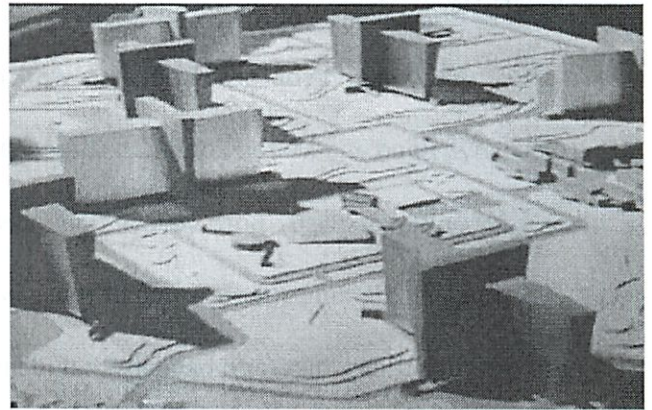
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Roark's Cortlandt Homes



New York City Public Housing

Conclusion

Although one of these books is a work of fiction, and the other is a non-fictional normative piece, Ayn Rand and Milton Friedman share many similar views. Both believe in the individual as the primary unit of analysis. Both believe that individuals should be free to follow their passions, but Rand makes value judgments about some of those passions. Both believe that individuals should be free to respect their ideas, but Rand believes that ideas are property of their creators, while Friedman takes the more typical view that ideas are property which can be owned. Both believe in limited government support for the rules of the road, but generally support laissez-faire capitalism.

Overall Rand

and Friedman are more similar than they are diff.

? Which ~~it~~ is not really true...

Or not supported elsewhere

think about it more...

Draft 3 10/19 1A

Essay 1

The Individual in Friedman and Rand

Michael Plasmeier

Both Ayn Rand and Milton Friedman believe in the primacy of the individual and the need for a free-market economy. Rand and Friedman both characterized people as being free to follow their passions. Friedman believes in the economic imperative for each person to be free to make economic choices and pick the outcome that is most consistent with their own personal utility functions, whether those are monetary or otherwise. Rand's characters in The Fountainhead have differing motivations, just like Friedman, though unlike Friedman, Rand makes value judgments about these goals. Both Friedman and Rand believe that laissez-faire capitalism, with its minimal government oversight, is the best economic system. Both see the need though for a government that preserves basic law and order and prevents individuals from impinging on the rights of other individuals as a community or social system. In The Fountainhead, we see that ideas are the property of their creators when Roark is acquitted from blowing up *Cortlandt Homes*. Friedman, along with most people, would believe that ideas are the property of their owners; Friedman would say that Roark has no right to deprive the investors of their investment.

Characterization of Human Beings

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¹ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. p. 10

architectural ideas, they are an investment. Buildings are not built on their own for free; a capitalist must front the investment needed for the materials and labor. That person must make a monetary return in order to be compensated for the risk they take supporting the building so that they can make their money back by charging rent. Friedman would have been outraged that Roark, an architect not even hired on the project, blew up the partially built projects and was acquitted.

Motivation of Humans Beings **put 1st**

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economic freedom

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Both Friedman and Roark agree that each individual has their own goals, and that there are different ways to measure progress towards that goal.

Forming a Social System

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The social system in The Fountainhead provides the foundation that the book is built on. The book reflects New York City in the 1930s. In that time, New York was a free market system with less regulation than today. Roark seems to flourish in that environment, since he had the freedom to take or pass on work.

The Role of Government

Friedman realizes that individuals cannot operate solely on their own – there is a need for society to set up a government in order to perform certain functions. For example, government is needed as “rule maker” and as an “umpire.”⁴ Friedman explains that there is a distinction between the rules and the game that is played under those rules. Government should be only involved in setting the rules, without getting involved in the game. In addition, government should act as an “umpire” or arbitrator for disputes. Friedman attributes the need to this because the world is made up of “imperfect men.”

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Rand on gov services

Both also see the need for additional government services. Friedman also believes that a government will need to find a way to deal with the mentally disabled, which he calls “madmen.”⁵ Society cannot tolerate them to make their own decisions, so it must make some rules regarding their care. In addition, while parents should have wide latitude about what to do with their children, there are certain limits to what parents can do to their children.⁶ Friedman does recognize that this is a slippery slope that can easily slide into socialism.⁷

In addition, Friedman believes that a government is needed to “provide a stable monetary framework for the economy.”⁸ However, he does not want monetary policy to be manipulated to reach certain economic goals such as “economic growth” or “economic growth.” Friedman and other neoclassical believes that these actions disrupt the economy too much, hurting it. Instead, the government should implement an automatic system where the money in circulation expands at a fixed, predetermined rate.

Rand’s Objectivism theory puts individual liberty at the heart of society. But Rand also put limits on individual liberty. In *Capitalism: The Unknown Ideal* Rand says that “man's mind will not function at the point of a gun.”⁹ This comes from Rand’s belief in reason and persuasion, which is best through logic, not force. In *The Virtue of Selfishness* Rand further believes that each individual has a right to act on

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their own, but no individual has the right to impede on other's rights.¹⁰ Rand believed in an economic system that allowed individuals to follow their passions, namely "full, pure, uncontrolled, unregulated laissez-faire capitalism".¹¹

Conclusion

Although one of these books is a work of fiction, and the other is a non-fictional normative piece, Ayn Rand and Milton Friedman share many similar views. Both believe in the individual as the primary unit of analysis. Both believe that individuals should be free to follow their passions, but Rand makes value judgments about some of those passions. Both believe that individuals should be free to respect their ideas, but Rand believes that ideas are property of their creators, while Friedman takes the more typical view that ideas are property which can be owned. Both believe in limited government support for the rules of the road, but generally support laissez-faire capitalism. Overall Rand and Friedman are more similar than different.

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Essay 1

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Michael Plasmeier

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Motivations and the Characterizations of Human Beings

Both Rand and Friedman look at the individual as the basic level of analysis. Unlike communists and collectivists, Rand and Friedman both think of the individual as the key decision maker. The Fountainhead is about a number of individuals, each with their own perspectives on the world.

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Friedman believes in the utility curve.¹ Utility is an economic concept that is the amount of personal satisfaction, joy, or usefulness ^{which} an individual derives from a decision. Friedman and other neoclassical economists believe that individuals make decisions based on their own utility curve. Each person has their own utility curve and that curve varies from time to time and place to place and may or may not be based on monetary factors. One individual may value a job where one can exercise their creativity, while another may value a job with higher pay more.

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Both Friedman and Roark agree that each individual has their own goals, and that there are different ways to measure progress towards that goal.

Economic Freedom

In Capitalism and Freedom, Friedman speaks about the requirement of economic freedom in order for an individual to be truly free. Friedman rejects the arguments of unnamed intellectuals who see economic freedom as simply about the materialistic aspects of life.³ He sees economic freedom as essential. If an individual has to get approval to change jobs, then they are not free. That individual

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cannot follow their passions. In addition, a trade is by-definition, mutually beneficial. Individuals would pursue a trade only if it is beneficial to themselves. Maintaining the opposite system where some trades are not beneficial would be less efficient, because force would be required to maintain such a state. Another aspect of freedom, Friedman believes, is for individuals to be able to advocate for a change to structure of society. A large group of individual must be able to change the system that they operate under.

Ideas are Whose Property?

In The Fountainhead, when one individual hurts the investment of another group, (when Roark blows up *Cortlandt Homes*) that individual is let off the hook because, under Rand, ideas are the property of creators. The possibility that society might somehow benefit by having more housing, albeit with a slightly lower quality design, is totally ignored in The Fountainhead. So are the property rights of the investors who paid for the construction.

Friedman would not support this disrespect for investor's property. Under Friedman and most economists, ideas are the property of their owners. Buildings are something more than just architectural ideas, they are an investment. Buildings are not built on their own for free; a capitalist must front the investment needed for the materials and labor. That person must make a monetary return in order to be compensated for the risk they take supporting the building ~~so that they can make their money back by charging rent~~. Friedman would have been outraged that Roark, an architect not even hired on the project, blew up the partially built project and was acquitted.

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B+ Graded

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The social system in The Fountainhead provides the foundation that the book is built on. The book reflects New York City in the 1930s. In that time, New York was a free market system with less regulation than today. Roark seems to flourish in that environment, since he had the freedom to take or pass on work.

The Role of Government

Friedman realizes that individuals cannot operate solely on their own – there is a need for society to set up a government in order to perform certain functions. For example, government is needed as “rule maker” and as an “umpire.”⁴ Friedman explains that there is a distinction between the rules and the game that is played under those rules. Government should be only involved in setting the rules, without getting involved in the game. In addition, government should act as an “umpire” or arbitrator for disputes. Friedman attributes the need to this because the world is made up of “imperfect men.”

Rand’s Objectivism theory puts individual liberty at the heart of society. But Rand also put limits on individual liberty. In Capitalism: The Unknown Ideal Rand says that “man's mind will not function at the point of a gun.”⁵ This comes from Rand’s belief in reason and persuasion, which is best through logic, not force. In The Virtue of Selfishness Rand further believes that each individual has a right to act on

I don't see how this is relevant to the question.

⁴ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 13

⁵ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 141

their own, but no individual has the right to impede on other's rights.⁶ Rand believed in an economic system that allowed individuals to follow their passions, namely "full, pure, uncontrolled, unregulated laissez-faire capitalism".⁷

Friedman also sees the need for additional government services. Friedman believes that a government will need to find a way to deal with the mentally disabled, which he calls "madmen."⁸ Society cannot tolerate them to make their own decisions, so it must make some rules regarding their care. In addition, while parents should have wide latitude about what to do with their children, there are certain limits to what parents can do to their children.⁹ Friedman does recognize that this is a slippery slope that can easily slide into socialism.¹⁰

In addition, Friedman believes that a government is needed to "provide a stable monetary framework for the economy."¹¹ However, he does not want monetary policy to be manipulated to reach certain economic goals such as "economic growth." Friedman and other neoclassical economists believe that these actions disrupt the economy too much, hurting it. Instead, the government should implement an automatic system where the money in circulation expands at a fixed, but predetermined rate.

⁶ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 110

⁷ Rand, Ayn (1964). The Virtue of Selfishness New York: Signet. Paperback Ed. pg. 37

⁸ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 33

⁹ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 33

¹⁰ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 34

¹¹ Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 38

Conclusion

Although one of these books is a work of fiction, and the other is a non-fictional normative piece, Ayn Rand and Milton Friedman share many similar views. Both believe in the individual as the primary unit of analysis. Both believe that individuals should be free to follow their passions, but Rand makes value judgments about some of those passions. Both believe that individuals should be free to respect their ideas, but Rand believes that ideas are property of their creators, while Friedman takes the more typical view that ideas are property which can be owned. Both believe in limited government support for the rules of the road, but generally support laissez-faire capitalism. Overall Rand and Friedman are more similar than different in their characterization of human beings and their motivations, as well as the social systems which societies should set up.

(7 min late)

74.72

10/15

Exam

Identifications

Essays

2 of 3

so if didn't
do hr ore
day

don't be paralyzed
by choice

- don't do it you don't know
- but don't guess
- but don't take off pts

ie surplus value

methodological individualism
diff b/w base + superstructure
to keep you honest

take 5 min to outline your answer

Say the assumptions you made

know how to skim a reading

many essays compare + contrast 2 authors

Max which predictions have come true

where he went wrong

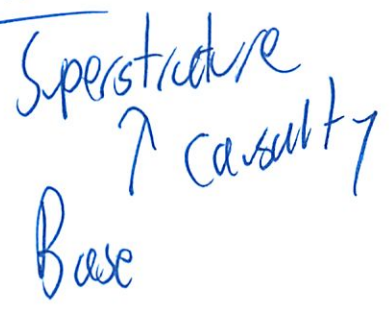
how would ~~not~~ one re do it?

②

(I need to read the readings closer for specifics)

How have people revised Marx later on?
double agenda: what's involved in Marx's

Marxism



Next topic: Sociological + anthropological theories

~~Marx~~

weber: Max ^{weber} ~~Marx~~; Protestant Ethic
+ spirit of capitalism

he reverses diagram



(3)

(missed)

transition b/w units

~~Distilling~~

not

great man theory of tech

(missed)

Social division of labor → detail division
Master pin maker → assembly line cog

did that happen?

jobs less skilled + more routine

me: all jobs in US have more discretion

Student: Detail division bad?

Prof: ~~the~~ just says it is happening
Joey: skilled at 1 particular skill

(4)

Creativity

Me: discretion

Student: people making out of manut
or a robot

Me: People have much more discretion

more accountable for quality

work together as team

Stop prod line if see issue

Prof: We'll come back to that:

What does disliking have to do w/
his argument?

Me: ~~under~~ Undercuts his argument

* → Prof: People have an identity that differentiates
don't think of themselves as ^{themselves,} workers
see themselves as diff

5

Revolution depends on people seeing themselves as
~~the~~ workers

Prof: Reason we ~~don't~~ have knowledge econ
is since we sent it all overseas

Foxconn strikes

Problem comes from Apple

Prof: Could you rescue Marx here?

World Market

Barigasee took over as trade ?

Today: Globalization

Marx: State just looks after ruling class

6
How much power to give the state?

State solves problems bourgeoisie can't on own
↳ so gets some economy

Marx: single unchokable freedom: free trade

Marx: naked, shameless, brutal exploitation

Marx: converted man of science into paid
wage laborer

Prof: He's predicted the TMO

Marx: Replace family relation to $\$$ relation

Marx: Needs constantly expanding markets

Marx: Will ^{across the globe} lead to political centralization
↳ Government

Me: Not yet

Joey: some consolidation: EU

Counter example: EU fin crisis
Greece, Spain, Italy

Marx: Distinction of age + sex disappear

Marx: Proliferate grows greater concentration

(I like this class again
- after I read + caught up)

Marx: Wages grow to same level

Prof: not really;

Friedman: not a big deal

in 5 year won't be \neq

Me: The Economists' recommendations

- no corruption

8
Prof: Would Marx support this?
What is his view on capitalism

He has 2 edge views

- Capitalism makes things worse for workers
better for bourgeoisie
in long shot run
- but all the changes push you to
the revolution
- then these things suddenly get better

So ~~the~~ sol is in long run rev
not short term repose

But he doesn't think they will happen
Bourgeoisie can't stop it (where things are going)
Inevitable tech change

9

Prof: New Deal programmings leading to Marx
- saved capitalists/borgise from themselves

Prof: Borgise preach democracy to overturn Ethal interests

Proletariate demand democracy in place where
Borgise don't want it → in work place

(missed)

Something about family values

Proletariat beyond family

3 predictions

Globalization

- technology permissive
- but Capitalist always looking to expand
- profits pushed down
- always trying to ↓ wages ✓ Prof: more integral

(16)
- deskilling

- equalization of wages at low level

- larger + larger enterprise
more concentrated bourgeoisie

Me: Top CEO pay
Prof: Too Big to Fail: GM
but others fell → Kodak
vs Steel

(missed) Couldn't go bankrupt since so dominated industry

Moving to socialism in base since large cos
more + more coordinating economy

more planned econ

Marx's largest failure: prediction of rev
- happened where shouldn't: before econ dev
Russia + China

(11)

But failed where it should have happened

14.72

10/16

Review w/ Ted

4 units

1. Liberalism + neoclassical
2. Marxism
3. Corporate state
4. Social embeddnesses of economic activity

Double Helix - story about DNA

Soul of the New Machine - Computers

both at end
Recasting Individualism

Sci Rev Kuhn

changed what was seen as normal sci

no longer development by accumulation

but revolutions

new paradigms

②
launched paradigm into wide spread use
irrational elements of humanity

individualism

social groups

What is the role of individuals in society

Capitalism: Private ownership of capital
politics vs economics

Capitalism + democracy

always linked:

causal requirements?

~~Q~~ Friedman: yes

(3)

Are realist. programs socialism

Fascism total dominance of state over individuals

Corporatism W.P. split people into cap group

intercity of community of organic body

Corpus = body

totally about groups

Not Corporations

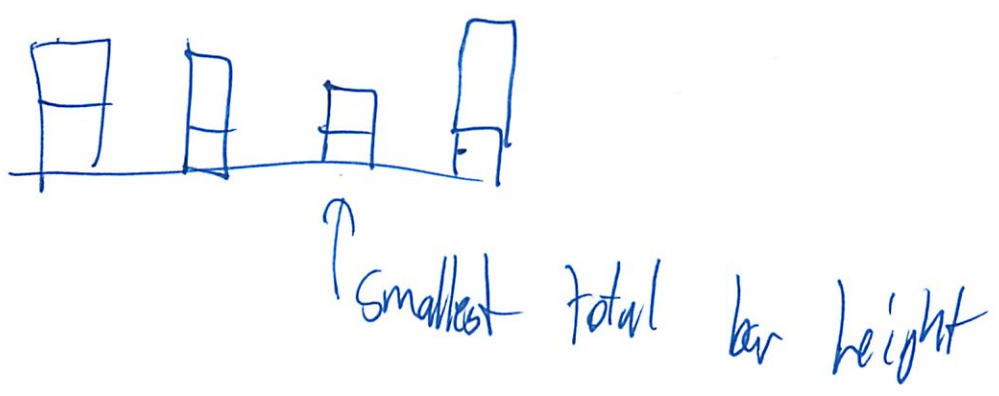
Structural functionalism - framework for

building theory sees society as a complex system whose parts work together to promote solidarity + stability

9

I see this paradigm issue much better now
Big economic issue

Maximin criteria worst max loss is better
than least (min) lost



Rawls: ~~every~~ maximin
 Each person has = right to basic liberties
~~has~~ social inequality, → greatest ~~and~~ expected
 benefit of least advantaged members
 of society
 how to distribute equally

⑧

Compare w/ others

I feel better

WPI Social contract

humans rational + reasonableness

blw altruistic + egoists

Public Reason - common reason of all citizens

Put talents to work for less favored
Can improve yourself only if
you help other

Individualism

In case inequality

Characters

Rough - deh

(6)

Toohay - evil collectivist

Francine - Rand herself
to admire Roark

Roark ideal man

Coal - power

Peter - conventionally ambitious

- own work
- ~~political~~ political interview
- sly thorn

Reason - thinking, not emotion
tedi: justifies rational self interest
productive creativity
Can't rely on collective mind

promotes monopolists
L Atlas shrugged

7

Axiomatic senses accurate

↳ disprove w/ ~~the~~ LSD

Opposite: people sometimes not rational
or people are emotional

Emotion is what rationally think w/ less detail
^{Ted.}↳ but really not true

Nichani Philosopher
allegation of competing systems v'us
human view (us)
create your own purpose
not god

One should become strong enough to have
their own value system

Perspectivism - all axiomatic judgements somewhat relative
ethics, aesthetics, politics ← axiology
often value judgements
can't justify

2
Rand tried to develop aesthetic value for this
aesthetic value - what you consider best/evident

Nichi - all judgements relative
based on who wins battles

Validity ~~proved~~ abstract

practical sense → tested empirically

no objective much of anything

Nihilism - lots of things

no right value system

Don't care about values

nothing matters - why bother living

~~that~~ life is meaningless

Rand - objective universe

↳ reasons crap

Senses + consciousness must be right

↳ external universe

Justifications such

Ted: must take some things w/ prob.

9

~~Na'ah~~

Na'ah - very prestigious

spend 5 pg on value system biased
by on year perspective

Kuhn no being
no objective purpose
must make up your own

How predisposed are people to revisions

What are the basics of the social world

What is nature?

No 2 paradigms at same time

Diff way to arrange a country

Positive what is

normative what should be

← Friedman tried to restore to this

Show impeccably better not just ethically

(10)

Keynesian spend & in down times

Aggregate demand

$$C + I + G + \frac{L}{M}$$

14.02

before people buy what was produced

gov sector

Saving + investment

Multipliers

Gigantic general equilibrium model

Chicago ultra rational

neo classical

revival of Smith

better math for invisible hand

~~we~~

11
neoliberal - ~~tax cuts~~
~~poor~~

deregulation

free trade

revival of classical liberalism

↳ what Friedman

ack no starting → but ~~the~~ simple non-distorting

liberal - like Economist

liberty + equality

civil liberties to economic liberties

no heredity, kings, etc

diff b/w → HC

liberal → social rights

neoliberal → buy it yourself
possibly tax credit

(17)

Austrian

non laissez faire

but no fractional reserve banking

· L creating \$

~~do~~

L gold standard

That's much less elastic

Can't grow

for some

Friedman

what we expect

(oh this is the ⊕ normative)

Rand

Innovation

Innovators as Roaches

Ideas are property of ~~own~~ creators

(13)

Classical Liberalism

all indiv =
rational

Same in all times + places

driven by desire/preference

neoclassical rationality

supply + demand

pretty standard micro

neoliberal → both economic + politics

What % of people should pay tax

- income dist / redist

favours

from yourself or from society
efficiency of redistrib

(14)
Friedman: fears gov but needs it to protect property

Becker

rationality

utility maximizing

Ultra rational

very neo liberal

(readings better after class)

Economic model of altruism

(reduce own consumption
to ↑ consumption of others)

Whole economic model

"Social 'income' of altruism"

(15)

Darwin's 'Selfish Gene'
all stable behaviors

Gilder Mandate for Capitalism

- practical & moral case for capitalism
- ~~begin~~ admin
- aquints welfare
- like tech
- lower taxes
- growth
 - ticked down
- 'supply side economist
- larger pie
- dynamism

16

dynamic anemic
 welfare fat + lazy
 family
 feminist critic
 don't squeeze rich too much
 returns from giving

Bones + Gintis

Stagflation → capitalism in crisis
 democratic liberalism → ^{people in power} rational liberalism
 reduced power of capitalist
 reserved army — unemployed
 Leverage of capitalist
 Citizen wage = welfare
 globalization

(17)
rights were property to citizens
democratizes liberal republic

causes politic sphere to economic sphere

Capitalist sphere to gov

but failing since democratic

basically populism hurts capitalism

which is good

no gov needed

How some Marx thinkers tell state

↳ gov tool of bourgeoisie

B+6 | State contradictory to capital

Make sense of Marxism w/ new deal

Connection → articulation

favor gov over capital

? citizen wage

(18)

Friedman \rightarrow firm profit maximization imposed
by competitive econ

Ted: like an engineer

Gilder: ~~men~~ men ^{think} short term } need
women long term } both
to help econ

all individual

Mary: system lot
People get character from system

2 determinants

- moment of history
- social class

(19)

1. History
2. Class Conflict
3. Tech + Tech Change

Gail: if had enough B -s could free himself
Forstained from system

[no objective way to determine if your pts
better

Superstructure → politics, state
religion
culture

base → social relation of production
forces of production

Tech change forces change in top
inelastic → fault line which has cer

(20)

Tech change

↳ neoclassical no story

Marxian

regional historical materialism - study of paradigm
changes it

- social reality → determines human change
- millions of people alter society slightly

labor theory of value based socially necessary labor
time

- standard labor
- default, basic

Use capital efficiently
has a price ind of labor

(21)

$C \rightarrow M \rightarrow C'$

$M \rightarrow C \rightarrow M'$

fetters of commodity

instead of valuing commodities

↳ value of \$ into more \$

Capitalism system driven through history

10/17

Can you specialize + get better something?

Craftsmen engaged:

Good division of labor

Plumbing, carpentry, medicine
not jack of all trades

detail division of labor

Craftsmen vs assembly line

(27)

Mechanisation - sub machines for humans

tool vs machine

↑
extension
of human

↑
replacement
for human

Marx said communism would happen in industrial era
↳ totally backward

elastic vs inelastic

Firms get larger

resources very inelastic
can't adapt well



~~Marx assumes a commodity market~~

~~more + in~~

So more + more planned

23

Marx + tech

Market can plan for tech

Revolutions

Changing forces of production
change the relation of production

Superstructure is not moving fast enough

So need rev to wipe out the old superstructure

Marx's cohesion less + less important

Das Kapital

Marx misses cheaper goods = easier to buy

Scale needs more capitals

~~When~~ workers are value to product

Machines make work harder for workers

(29)

deskilling

detail division of labor

world market

need cheaper + cheaper places to produce stuff

horrors of free trade

brutal + shameless exploitation

convert men of sci into paid laborers

Marx: no small improvements
'instead big revolution

equalization of wages at low level

larger + larger enterprises

(25)

Elster

Methodological individualism - all institutions

can be explained as the actions of individuals

(I kinda "rediscovered" this w/ regard to UA + MIT-admin
but never heard the term before)

form of reductionism

Marx: Capital is collective entity
had a logic on its own

Humanity as well

flowers in final state of Communism

Men not men

Communism - self reification of each individual
not just a small elite

26

Rational choice

= theory of individual decisions

What would one propose instead?

Game theory?

Marx's structuralist objection to rational choice

↳ economic character masks

just act out their economic roles

↳ but arguments of choice + force not mutually exclusive

people always pushed by market

(27)
functional explanation

normally cite intended consequences

but here cite actual consequences

like social mobility because of
steady stream of recruits

but he explains an event by another
event that occurs later in time!

DiDion explanation of phenomena that cites
functional properties of contributing elements

so explain computer w/ the SW that is
running on it

ex) Birds have hollow bones b/c hollow
bones facilitate flight

28
So ~~it~~ is it necessarily out of order
and thus 'invalid'

or just a ~~very~~ bad way to answer the q

explain a system by the functions in its parts

others

causal explanation → actual cause

intended vs actual

Elster's most plausible is to deny that functional
explanation can account for a
single events or processes

involves some sort of feedback loop

Marx explains events in terms of their
unintended consequences

(29)

feedback loop only postulated

(still not fully seeing it)

So no explanation for many things

(that's why his arguments felt kinda wrong)

Sometimes why beneficial for class

but still no overall reasons

Common w/pret i collectively optimal

basically it seems like a class of
invalid / bad arguments

Dialectics

WP: Method of argument for resolving disagreement

dialog b/w 2 well reasoned people
pure reason - so not rhetoric

not a debate - where try to win

(30)

(This stuff is so much clearer now!)

Slowly transition to an idea by going through the middle

3 step seq

1. Primitive undifferentiated Society

2. Class society

development of individual

↳ so Marx mixed on indiv?

3. Restore community w/o removing individualism

(I always interpreted the respect for indiv part

as more of a populist - well off

(since we need to do this part...)

(36)

Something about contradictions

Existence of contradiction is not inherently
Contradictory

paying someone to lavish praise on us
is not worth anything!

Contradiction that capitalists want other
workers to have high wages so

they can buy goods

Why others built = librium model

Things much more complicated than Marx presented

desires taken together are contradictory

Elster: Marx was one of the first to
study these contradictions

(32)

labor theory of value

(should read this closer - but no time)

Mid-term Quiz
October 17, 2012

This is a one hour and twenty five minute exam. Answer all of Part I and two out of the three questions in Part II. Part I should take about one-half hour; Part II about one hour (one half-hour for each essay). Part I and each of the two essays in Part II will be weighted equally.

Take time to think out and outline your answer before you begin writing.

Part I: Identify and briefly explain the significance of:

1. Methodological Individualism
2. Socio-biology
3. The fetishism of commodities
4. Second-handers
5. Positive versus negative freedom

Part II: Choose 2 of the 3 following questions:

1. Karl Marx and Milton Friedman have very different views about the desirability of capitalism. Is that because they have different moral standards by which they judge the system? Or because they have different scientific views about how a capitalist system actually operates?
2. When studying the economy, some authors – Friedman and Rand for example – focus on the individual, while others – Marx and Gilder – also consider the family. Pick any three of the authors you've read so far in this course and discuss what motivates their choice of different units of analysis. Does this affect their views on how the economy operates? In their views, how would legislation requiring equal treatment of men and women affect the operation of the economy?
3. A central analytical concept in Marx is the notion of class and class conflict. How might the authors in the liberal/neo-classical tradition recognize social class? How might they explain class conflict?

10/17

1. Methodological Indu

Seeing everything through eyes of the Indu

Each person feels an ad

not "the MIT administration"

or the "dean of student life"

but a specific ~~at~~ people person

in that office at that time

2. Socio-biology

I remember reading about ~~socio~~-something
biology

View economy as biological system

②

3. Fetish of commodities

Just something to make \$ from
not their end use

trader just sees \$s - not underlying

4. Second hander

- don't remember who mentioned this

stickle down

3

5. Positive vs neg freedom
again don't remember

? ~~the~~ economic freedom required
or not free

or freedom to make up your own
role → not just follow a template

* Explain the significance of

Essay 1

Pos vs normative
 - kinda - not really

both!

- sci views. ~~0~~

Friedman rational self choice
 Marx forced into it → mush

Friedman - range of incomes
 Marx - 2 classes

F - opportunity to advance
 M - no mention of

M - much more industrial
 F - econ made of diff services

M - will cause a rev
 w/ base + superstructure
 base too far ahead of superstructure
 F - gov should just enforce basic wills

2

and price So it will ~~not~~ likely update
M - value ^{labor} theory
F - set by market
Moral standards

F - what each person makes on own
M - forced into that income

both - maximize happiness
M really cared about Borg. not Pro
F - cared about everyone
no class distinctions

both - everyone individual

(actually seem close on moral std)

* M - Capital oppresses
F - Capital is growth
M - more all or nothing
F - growth expands pie
or other similar

(3)

but shared underlying view of freedom + happiness
individualism.

* how much people should care about others

M; very collectivist approach

F; individualist approach

but supported welfare

Still big gap in degree

10/17

Essay 3

Class + class conflict

How do real liberals regard class?

Explain class conflict?

Just differences b/w income level

more opportunity to change
↳ American Dream

no clear dividing lines

no clear way to enter
- king → heredity
- divine right

but certainly differences in income level

esp around who should subsidize whom

debate around the election now on this

①

Class conflict → trying to force others to pay

rent-seeking

trying to drop the buck on someone else

through arguing

Socio-biology

WP: social behavior came from evolution

Otherwise nurture in nature vs nurture
(but which author)

Natural selection

The renamed version of eugenics

(could not find ref to a 14.72 author)

~~Selected~~

Gary Becker in Altruism, Egoism + Genetic Fitness

his economic model of altruism

how can ~~all~~ natural selection explain altruism

altruism concern for welfare ~~for~~ of others

pure: no expectation of anything in return
is pure possible.

I said us a system - which is kinda correct

②

Second-handers

Ayn Rand

~~have no sense of reality~~

takes credit for achievements not his own

cheats + lies

but presents a respectable front

others think he is honest

he knows he is mediocre

but great in eyes of others

not concerned w/ facts

just how others view them

③

Positive vs negative freedom

or, aka positive vs negative liberty

Positive: having the power + resources to fulfil
One's own potential

Negative: freedom from external constraint

Isaiah Berlin

Which class author?

• Friedman

not in the book

• Becker

not in our reading

• Marx

entry on Marx dictionary

Communism neg freedom restricted

pos freedom pushed

Since all peopleth want could have
Uni ed^r - but only in the v/ gov

(4)

Can't find it in Max
Rounds?

↳ not what we read
From the GDS

Give up → ask

Michael E Plasmeier

From: Ted Hilk <thilk@MIT.EDU>
Sent: Sunday, October 21, 2012 1:17 AM
To: Michael E Plasmeier
Subject: Re: Which 14.72 Author is Positive and Negative Freedom from?

Hmm... yeah, I'm honestly not sure. I know I saw it in the notes somewhere (which prompted me to look up that Wikipedia article the night before the exam...), but I'm not sure whether any particular author mentioned it.

On Sun, Oct 21, 2012 at 1:14 AM, Michael E Plasmeier <theplaz@mit.edu> wrote:

No just trying to figure out where it came from.

-Plaz

From: Ted Hilk [mailto:thilk@MIT.EDU]
Sent: Sunday, October 21, 2012 1:12 AM

To: Michael E Plasmeier
Subject: Re: Which 14.72 Author is Positive and Negative Freedom from?

Looking at the first sentence in that article, Rand is "having the power and resources to fulfill one's own potential" while Friedman is just "freedom from external restraint". IIRC we talked about it in class at some point, but I'm not certain. It sounds like you're challenging the test question?

On Sun, Oct 21, 2012 at 12:01 AM, Michael E Plasmeier <theplaz@mit.edu> wrote:

Thanks!

But no author made the distinction like Isaiah Berlin in 1 article? http://en.wikipedia.org/wiki/Positive_liberty

-Plaz

From: Ted Hilk [mailto:thilk@MIT.EDU]

Sent: Saturday, October 20, 2012 11:59 PM

To: Michael E Plasmeier

Subject: Re: Which 14.72 Author is Positive and Negative Freedom from?

Rand = positive freedom -- specifically promote human potential

Friedman = negative freedom -- eliminate limitations to individual liberty

On Sat, Oct 20, 2012 at 10:33 PM, Michael E Plasmeier <theplaz@mit.edu> wrote:

-Plaz

10/21

possibly mentioned 9/24

didn't write down terms though

didn't write ~~the~~ positive, negative

wrote \oplus but never \ominus

BOX NO. _____

3

13

Identification

16

38/60

B

40-10+
45A

EXAMINATION BOOK

Name Michael Plasmeie

Subject 14.72 Midterm

Class _____ Section _____

Instructor _____ Date _____



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1. Methodological individualism is seeing everything through the eyes of the individual. One recognizes each person as an actor and systems are merely combinations of their actions.

For example, students should not recognize the "MIT administration" as a collective whole. Instead the organization is made up of a \mathbb{H} of actors each with their own view points.

This is significant because it is the way which many of the authors particularly in the neo liberal section frame their ideas. ✓

2. Socio-biology is viewing the economy as a biological system.

-7
A biological system is complex - just like a group of people. Each person works on their own as a complex system. One component's actions affects another.

This is significant because it is an important way to view the economy.

3. The Fetish of Commodities describes how some people think of commodities as just something to make money from. Pork belly futures are just numbers on a screen - totally devoid of the actual pigs they represent. *brand co.*

This is significant because Marx believed this was counterproductive and wrong. He cited this as a problem with capitalism.

4. Second hander refers to trickle down economics. Someone who earns money needs to spend that money on things such as food and clothes. This produces clothing jobs - which allows that person to buy a car - which gives an auto worker a job, etc.

This is significant because some politicians have postulated that this is how the economy operates.

5. Positive vs negative freedom

This refers to Friedman's assertion that people need economic freedom in order to have real positive freedom.

vs.

If people don't have this economic freedom then they are not really free.

-3

This is significant because Friedman linked political + economic freedom → one of the first to do so.

BOX NO. _____

Essay 1

EXAMINATION BOOK

Name Michael Plasmer

Subject 14.72 Midterm

Class _____ Section _____

Instructor _____ Date _____



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Karl Marx and Milton Friedman differ on both the moral standards and on the scientific views of their system. - Though there are some underlying moral standards that they both share.

Both share ^{for Marx?} an underlying desire for individualism and happiness. But they differ on the specifics and for whom, Marx could care less about the happiness of the ~~proletariat~~ ^{bourgeoisie}. He thought that they had exploited so much that they should be overthrown and disposed off. Friedman on the other hand saw no such class distinction.

Both claimed their desire for the individual to be able to express their views. Marx thought that workers were being forced to work and thus had no time to pursue their passions.

Marx initially portrayed technology as this great deskillling force that would make all people the same. However that would somehow cease to exist in a magical-post revolution world. Then people would be individuals. Friedman thought that people are free to follow their passions within the current system - they are always individuals.

Marx also saw the economy as an all or nothing affair. Wealth was owned by either the rich or the poor. Friedman and other neoclassical economists speak about growth

→ and expanding the size of the pie.
Drew's team speak of technological progress and growth?

And are the differences you mention here differences in moral standards or scientific views?

They differed a great deal in their scientific views.

Friedman believed people followed their own rational self interest, Marx thought people were forced into choices as though they were wearing a mask.

Marx divided up people into 2 classes while Friedman made no attempt to do so. (see essay 3)

Marx spoke about an industrial economy while Friedman was much more generic.

Marx saw the fact advancing base (due to technological change) breaking with the unchanging superstructure in a large revolution.

Please organize this material in a more structured way.

Friedman saw the government (superstructure) ^{part of the} being much more responsive to the changing world because the government was made up of people and their will was reflected in government.

Though

→ Marx thought the government was controlled by the proletariat. ^{No. did I really write that?}
^{? bourgeoisie ~~etc~~}

They agreed somewhat on how much people should care about others. Marx always spoke of a collective approach - though did not specifically refer to helping others. Friedman spoke about 'welfare' and discussed ways that it could work without distorting the economy too much. But as you read the two authors you can not help but note the degree in difference between the two differed greatly.

Overall, Marx and Friedman both saw individualism as the end goal, but they disagreed on for who that goal should be for, just the bourgeoisie or for everyone. They also differed tremendously on how to achieve those goals from broad concepts to technical differences. Marx and Friedman both supported helping others, but differed sharply on the degree by which that should happen.

BOX NO. _____

Essay 3

EXAMINATION BOOK

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Neoliberals would see class distinctions as just differences between income levels.

Whereas Marx saw class as this bright, inseparable, unpassable (in the upward direction) distinction between two groups of people, neoliberals see more of a fuzzy distinction between a variety of income levels. ✓

Where does one class start and end?
What divides one class from another?
Certainly not heredity or divine right
How many classes even are there?

All these are open questions in the neoclassical/liberal view of the world.

Plus, is there really even a distinction between the classes if people can move between them? This idea of upward mobility is the cornerstone of the "American Dream" which neoliberals strongly subscribe to. Anyone can reach up and become more successful - there is no class distinction in their way. Certainly not as under Marx.

economic rents

Neoliberals would see class conflict
as purely rent seeking behavior between
the classes.

We can see this in the current election.
Obama thinks that the wealthy should pay
more because they have more. The Republicans
think the wealthy should pay less because
they are the job creators who need the
incentive to hire and expand.

Both are just rent-seeking - trying
to enrich themselves at the expense
of people not like them - people whose
incomes are different. Each group is
trying to enrich themselves at the
expense of another.

Lobbying in many regards is
trying to use persuasion for
personal gain.

Social class is just a loose - distinction
between income levels and class conflicts
are just rent-seeking missions against
people not like themselves.