Essay 1

The Individual in Friedman and Rand

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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 characterize 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 vital component to 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.

# 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.

## Utility Functions

Friedman believes in the utility curve.[[1]](#footnote-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.

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. 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 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 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. 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.[[2]](#footnote-2) Ayn Rand makes no mention of the poor.

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]](#footnote-3) 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 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. Friedman would have been outraged that Roark, an architect not even hired on the project, blew up the partially built project and was acquitted.

# Forming a Social System

## 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 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]](#footnote-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]](#footnote-5) This comes from Rand’s belief in reason an 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.[[6]](#footnote-6) Rand believed in an economic system that allowed individuals to follow their passions, namely “full, pure, uncontrolled, unregulated laissez-faire capitalism”. [[7]](#footnote-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]](#footnote-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]](#footnote-9) Friedman does recognize that this is a slippery slope that can easily slide into socialism.[[10]](#footnote-10)

In addition, Friedman believes that a government is needed to “provide a stable monitory framework for the economy.”[[11]](#footnote-11) However, he does not want monitory 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.

# 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.

1. Friedman, Milton and L. J. Savage. *The Utility Analysis of Choices Involving Risk*.

   Journal of Political Economy. Vol. 56, No. 4 (Aug., 1948), pp. 279-304 The University of Chicago Press

   http://www.jstor.org/stable/1826045 [↑](#footnote-ref-1)
2. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 192 [↑](#footnote-ref-2)
3. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. p. 10 [↑](#footnote-ref-3)
4. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 13 [↑](#footnote-ref-4)
5. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 141 [↑](#footnote-ref-5)
6. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 110 [↑](#footnote-ref-6)
7. Rand, Ayn (1964). The Virtue of Selfishness New York: Signet. Paperback Ed. pg. 37 [↑](#footnote-ref-7)
8. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 33 [↑](#footnote-ref-8)
9. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 33 [↑](#footnote-ref-9)
10. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 34 [↑](#footnote-ref-10)
11. Friedman, Milton. Capitalism and Freedom. Chicago: University of Chicago Press, 1962. Fortieth Anniversary Ed. pg. 38 [↑](#footnote-ref-11)