

***Gatekeeper Economics II — When Ivory Tower Theory and Practice Go Bad: The Milton Friedman Aberration — Capitalism as Fascism to Create a World that Fits Friedman's Idiosyncratic and Normative Theory of What the World We Live in Should Be***  
(when smart guys go wrong—good and evil in economics)

W. Robert Needham (December 2008)

*“A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.”<sup>1</sup>*

*“The transition from an ordinary to a scientific attitude of mind coincides with ceasing to take certain things for granted and assuming a critical or inquiring and testing attitude.”<sup>2</sup>*

*“...the idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.”<sup>3</sup>*

*“It is very unlikely that ... normal scientists would hold on to a theory which is logically inconsistent.”<sup>4</sup>*

*“ While the actors and instruments of economic repression are hidden in the “ethically neutral” and impersonal mechanisms of the market and of economic policy, the economists and the school of thought which inspired the application of the Military Junta’s “neo-liberal policy measures bear the moral and intellectual responsibility for the impoverishment and economic repression of more than three quarters of Chile’s population.”<sup>5</sup>*

At one level this note is an extension of documents on my web page<sup>6</sup> particularly of Gatekeeper Economics, Economy and Society—Conformance with Experience?<sup>7</sup> and of Profit as the Root of all Evil: The Devil is in the Details.<sup>8</sup> But it also has a background in: The Current State of Economics as a Discipline: The Teaching of Economics—Introduction and Some Suggested Readings: Can Economics be Grounded in Reality?<sup>9</sup> and in, Reforming Economics—Ten Quick Steps to Reality Economics.<sup>10</sup>

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<sup>1</sup> John Rawls, *A Theory of Justice*. (Cambridge, MA: Harvard University Press, 1971), 3.

<sup>2</sup> Dewey, John, "Logical Conditions of a Scientific Treatment of Morality", *Decennial Publications of the University of Chicago*, First Series, Vol. 3, (1903): 115-139.

[http://www.brocku.ca/MeadProject/Dewey/Dewey\\_1903.html](http://www.brocku.ca/MeadProject/Dewey/Dewey_1903.html)

<sup>3</sup> K. Polanyi, *The Great Transformation*, (Boston: Beacon Press, 1957), 44.

<sup>4</sup> H. Katouzian, *Ideology and Method in Economics*, (London: Macmillan, 1980), 118-119.

<sup>5</sup> Michael Chossudovsky, “The Neo-Liberal Model and the Mechanisms of Economic Repression—the Chilean Case,” *Co-existence*, 12(1975), 55.

<sup>6</sup> <http://economics.uwaterloo.ca/fac-needham.html>

<sup>7</sup> <http://economics.uwaterloo.ca/needhdata/needham2.html#consumer> (*Draft: 290106*)

<sup>8</sup> <http://economics.uwaterloo.ca/needhdata/Profit%20as%20the%20Root%20of%20All%20EvilREV.pdf>

<sup>9</sup> <http://economics.uwaterloo.ca/needhdata/CurrentStateofEcon241103.pdf>

<sup>10</sup><http://economics.uwaterloo.ca/needhdata/Reforming%20EconomicsSteps%20to%20Futher%20Reality%20Economics2.pdf>

The note has a more immediate back-ground in the letter, dated August 20, 2008, which I sent to Dr. Robert J. Zimmer, President of the University of Chicago opposing the establishment of the Milton Friedman Institute. The letter is attached here as Appendix #1.

The note also brings forward again many professional judgments, that, seemingly, have either been forgotten or ignored; (perhaps some were legitimately not known), and in any case not answered, that economists and political economists and theorists have made of mainstream economics (as neo-classical micro-economics) and of monetarist thinking and practice. Discipline reform/revision is implied. Mainstream economics (as neo-classical micro-economics) and monetarist thinking and practice are linked through the assumptive notion of free markets.<sup>11</sup> If, rather than *a priori* theory, reality and a real concern for science had dominated the discipline of economics, it can be held that both mainstream economics and real world economies would not be in the fragile states in which they currently find themselves. In fact perhaps the best starting point for understanding markets and individuals in markets is given in terms of *slavery not freedom* in the sense that:

“The dominant consideration in our economic system is not what people want, either as consumers or workers, but what people can afford or be persuaded to buy, and what they can be persuaded by force of circumstance to do for money, as a job. To put the matter another way, the modern economy is driven, not by the aggregate desires of what people want out of the economy, but by what the economy can get out of them. The only fitting word for this is slavery.”<sup>12</sup>

To emphasize economic problems stem from uncritical indeed seemingly *blind* adherence to laissez-faire economics of the Friedmanite and mainstream sort.

In my ***Profit as the Root of all Evil*** the link between capitalism and fascism is given. It is asserted:

“Capitalism as Fascism: “Fascism should more appropriately be called corporatism because it is a merger of state and corporate power.”<sup>13</sup>

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<sup>11</sup> Appendix #2 contains an analysis of Milton Friedman’s 4-point view of *the theory*. Its implications in the case of Chile are outlined in Frank and Chossudovsky, noted above.

<sup>12</sup> Michael Rowbotham, *The Grip of Death: A Study of Modern Money, Debt Slavery and Destructive Economics*, (Charlbury: Jon Carpenter Publishing, 1998), 73.

<sup>13</sup> Note the lineage: “It was actually Italian philosopher Giovanni Gentile who wrote the entry in the Encyclopedia Italiana that said: “Fascism should more appropriately be called corporatism because it is a merger of state and corporate power.” Mussolini, however, affixed his name to the entry, and claimed credit for it. Thom Hartmann Reclaiming The Issues: Islamic Or Republican Fascism? <http://baltimorechronicle.com/2006/090306HARTMANN.shtml>. See also McMurtry, John, “Fascism and Neo-Conservatism: Is there a Difference,” *Praxis International* IV:1(1984), 86-102. Also available at: <http://economics.uwaterloo.ca/needhdata/mcmurtrypraxis.htm> “Harper’s Magazine: We Now Live in a Fascist State,” cited in *Organic Consumers Association*, Date: Tue, 11 Oct 2005 13:34:38 -0700: <http://www.organicconsumers.org/Politics/harpers101205.cfm> This article “Living in a Fascist State” was written by Harper’s Editor Lewis Lapham for the October 2005 issue. Lapham prefaced his article with the words of Franklin Roosevelt: “But I venture the challenging statement that if American democracy ceases to move forward as a living force, seeking day and night by peaceful means to better the lot of our citizens, then Fascism and Communism, aided, unconsciously perhaps, by old-line Tory Republicanism, will grow in strength in our land.” -Franklin D. Roosevelt, *Radio Address on the Election of Liberals*, November 4, 1938. <http://www.fdrlibrary.marist.edu/php11438.html>

I also asserted

“Private enterprise capitalism in control of the state is the root cause of problems. Never privatize! There is no free market only power and always shirking of social responsibility by those with power.”<sup>14</sup>

The economic and social system of the fantasy world, competitive capitalism, to which Friedman<sup>15</sup> adheres was fabricated and presented to the world in 1962 in the book *Capitalism and Freedom*. In 1968 CB MacPherson wrote *Elegant Tombstones A Note on Friedman's Freedom*,<sup>16</sup> a devastating comment about Friedman's book, that stands to this day. His last two sentences:

“The logical liberal will reject his [Friedman's] fallacious proof that freedom of the capitalist market is individual economic freedom, his undemonstrated case that political freedom requires capitalism, and his fallacious defense of the ethical adequacy of capitalism. The logical humanist liberal will regret that the postulate and the fallacies make *Capitalism and Freedom* not a defence but an elegant tombstone of liberalism.”<sup>17</sup>

Professor of Corporate Law Harry Glasbeek has written:

“... Macpherson's critique of Freidman is that workers are compelled participants in labour markets, not voluntary ones. The insight into Freidman's reasoning undermines it completely. There are many other persuasive critiques of market modeling.”<sup>18</sup>

Related and emphasizing the positive freedom concept that Friedman ignores in his sole and maniacal reliance on negative freedom MacPherson said:

“So far the market view has prevailed: ‘liberal’ has consciously or unconsciously been assumed to mean ‘capitalist’. This is true even though **ethical liberals**, from Mill on, tried to combine market freedom with **self-developmental freedom**, and tried to subordinate the former to the latter. They failed ... ”<sup>19</sup>

It is interesting that in 1962 while Friedman published *Capitalism and Freedom* MacPherson published his scholarly treatise *The Political Theory of Possessive*

<sup>14</sup> But note what is right and what is wrong, what is good and what is evil. Gerald Cohen says of the socializing state: “...the socialist objection of justice to the market economy is that it allows private ownership of means of existence which no one has the right to own privately, and therefore rests upon an unjust foundation. ...the socializing state is not violating rights, or even overriding them in the interests of something more important, but righting wrongs; it is rectifying violations of rights, violations inherent in the structure of private property. Cohen, G.A. “Freedom, Justice and Capitalism.” *New Left Review*, No. 126(March/April, 1981).

<sup>15</sup> In particular for Friedman's ideas at Chicago, it was “in the 1950s and '60s at this school [the ideas] were largely in the realm of theory. They were academic ideas, and it was easy to fall in love with them, because they hadn't actually been tested in the real world, where mixed economies were the rule.” Naomi Klein: Wall St. Crisis Should Be for Neoliberalism What Fall of Berlin Wall Was for Communism” [http://www.democracynow.org/2008/10/6/naomi\\_klein](http://www.democracynow.org/2008/10/6/naomi_klein)

<sup>16</sup> MacPherson, C.B., "Elegant Tombstones: A Note on Friedman's Freedom." *Canadian Journal of Political Science* No 1(Mar 1968), 95-106.

<sup>17</sup> Macpherson, C.B., "Elegant Tombstones: A Note on Friedman's Freedom." *Canadian Journral of Political Science* No 1(Mar 1968), 95-106. Republished as Essay VII of the *Democratic Theory: Essays in Retrieval*, (Oxford: Oxford University Press, 1973).

<sup>18</sup> Harry Glasbeek, *Wealth by Stealth: Corporate Crime, Corporate Law and the Perversion of Democracy*, (Toronto: Between the Lines, 2002), 23.

<sup>19</sup> C.B. Macpherson, *The Life and Times of Liberal Democracy*, (Oxford: Oxford University Press, 1977), 2.

*Individualism*.<sup>20</sup> “Elegant Tombstones” came out in the first issue of the new *CJPS* in 1968 (after the split between CEA and CPSA) and was republished in 1973 in *Essays in Retrieval*. This suggests that Friedman either did not read or he had read and chose to ignore MacPherson’s indisputable logic. Retrospectively had Friedman read *The Political Theory of Possessive Individualism* (the origins and logic of market liberalism) and revised his thinking the great damage done in Chile in 1973 and later there and in other countries might have been avoided. But timing is not the main issue. It seems Andre Gunder Frank put his finger of the issue in his letters to Friedman. There Frank informs us<sup>21</sup> that Chicago economics students were not advised to read widely and in effect to raise no question but take what was taught in the classroom as the gospel truth (seeking no other truths not even their own). This is one reason why *smart guys can go bad*. Friedman ignored (1) the truth in MacPherson and (2) the real science that is involved in asking the big critical questions. He did so, it can be held, because it challenged his classroom assumptions. This practice carries over into mainstream courses everywhere. It seems the practices do not reflect role models that should be emulated.

At the heart of MacPherson is the corollary moral implication of capitalism—that:

“...a capitalist society...compels a continual net transfer of part of the power of some men to others, thus diminishing rather than maximizing the equal individual freedom to use and develop one’s natural capacities which is claimed [by the proponents of capitalism].”<sup>22</sup>

Elsewhere MacPherson writes that in liberal capitalism,

“... property as a right needed by all to enable them to express their human essence is denied to many.”<sup>23</sup> And he stated:

“... when the liberal property right is written into law as an individual right to the exclusive use and disposal of parcels of the resources provided by nature and of parcels of capital created by past work on them, and when it is combined with the liberal system of market incentives and rights of free contract, it leads to and **supports a concentration of ownership and a system of power between individuals and classes which negates the ethical goal of free and independent individual development.**”<sup>24</sup>

In short,

“Those who in a market society have no land or capital have no extractive power. They also may be said to have, at any given time, no power (or only negligible power) of any kind. For their

<sup>20</sup> Macpherson, C.B. *The Political Theory of Possessive Individualism*, (Oxford: Oxford University Press, 1962).

<sup>21</sup> “This gratuitous advice [for Frank to seek employment in a small liberal arts college] reflected more than your mere personal judgment. It reflected and coincided with that of the Department of Economics at the University of ‘Chicago under the lead and directed by Milton Friedman and Ted Schultz (*Transforming Traditional Agriculture* into Agri-Business), who have sought to inculcate upon generations of students the conviction that they should not read to inform themselves about the world (or not read beyond Chapter 3 in Adam Smith’s *Wealth of Nations* or read anything but the footnotes in Alfred Marshall’s *Principles of Economics*) and instead should only acquire and master the kit of tools required to measure the world in partial equilibrium.” Letter #1: at <http://www.rrojasdatabank.org/genoc1a.pdf>

<sup>22</sup> C.B. Macpherson, *Democratic Theory: Essay in Retrieval*, 10-11.

<sup>23</sup> C.B. Macpherson, *Property: Mainstream and Critical Positions*, (University of Toronto Press, 1978), 205.

<sup>24</sup> C.B. Macpherson, *Property: Mainstream and Critical Positions*, 199-200.

productive power, their ability to use their energies to produce goods, has continuously to be sold to someone who has land or capital, and sold for a wage which goes to replenish the energy which makes their capacities saleable next week. They are left continuously with no productive power of their own. If they have any leisure, and any energy left for leisure pursuits, they have indeed some power left, some ability to use and develop their own capacities for themselves. But...with wages always tending to a subsistence level and energies tending to be fully absorbed by the productive work for which their energies have been purchased, the amount of such power could be treated as negligible. Thus the whole power of each non-owner could be taken to be virtually the same amount as his extractive power; the latter is zero, the former is negligible. Those who have the land and capital have extractive power. In a full capitalist society, with its substantial concentration of ownership of capital and productive land, a few men have extractive power over many; hence each of the few has extractive power equivalent to the whole (or virtually the whole) power of several other men. The greater the concentration of capital, the greater the proportion of each owner's entire power consists of his extractive power. This can be readily seen ...[by]...expressing the amount of benefit a man is able to extract from others as the (whole or fractional) number of men he is able to 'oppress'.<sup>25</sup>

Mainstream neoclassical economists also generally engage in *a priori* theoretical fabrication -- fabrication by assumption —specifically to be of a free-market laissez-faire, minimalist government world, and, like Friedman, they ignore MacPherson's contributions. What is assumed **is not just to be taken as given**, but, as it turns out, is **to be taken as right and appropriate for all times and places and peoples**. Moreover, it is regarded as right and proper that instructors of mainstream economics take the neoclassical micro model, generally known as *the theory*, as the starting point for economics instruction. Since students are forced to start off on the wrong foot it is no wonder that the world's problems are so severe, cumulative and, as George Stigler (former Chicago Economist and a Nobel Prize winner) has said, *conservative!* Note that this implies that mainstream economics has in fact been normative economics from the very start. Milton Friedman's mistake was blinding, it led him to go beyond merely taking the system as given to take his *a priori* and/or *normative* vision<sup>26</sup> to be what all governments and (the discipline) should be in effect trying to create through real world policies.<sup>27</sup> This made

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<sup>25</sup> C. B. Macpherson, *Democratic Theory: Essays in Retrieval*, 43-44.

<sup>26</sup> Milton Friedman *Capitalism and Freedom*: Fortieth Anniversary Edition (University Of Chicago Press; 1 edition, 2002); Milton Friedman, Rose Friedman, *Free to Choose: A Personal Statement*, (Harcourt Trade Publishers; 2001) In practice the Chilean test of Friedman's and Harberger's ideas are neatly summarized in Frank Andre Gunder *Economic Genocide in Chile: Monetarism Versus Humanity*, (Spokesman Books Nov 18, 1976). This book contains two letters their former student Andre Gunder Frank (PhD Chicago 1957) wrote to Milton Friedman and Arnold Harberger. The letters are available on Line: Letter #1: <http://www.rrojasdatabank.org/genoc1a.pdf>; Letter #2: <http://www.rrojasdatabank.org/genoc2.pdf> and see also: Frank, Andre Gunder, "The Theories Of Milon Freidman On Chile: Equilibrium On The Point of a Bayonet," in AG Frank *Critique and Anti-Critique; Essays on Dependence and Reformism*, (New York: Praeger Publishers, 1984).

<sup>27</sup> "So, this plan was cooked up—it was between the head of USAID's Chile office and the head of the University of Chicago's Economics Department—to try to change the debate in Latin America, starting in Chile, because that's where developmentalism had gained its deepest roots. And the idea was to bring a group of Chilean students to the University of Chicago to study under a group of economists who were considered so extreme that they were on the margins of the discussion in the United States, which, of course, at the time, in the 1950s, was fully in the grips of Keynesianism. But the idea was that there would be—this would be a battle to the—a counterbalance to the emergence of left-wing ideas in Latin America, that they would go home and counterbalance the pink economists. And so, the Chicago Boys were born." Naomi Klein: "Wall St. Crisis Should Be for Neoliberalism What Fall of Berlin Wall Was for Communism" [http://www.democracynow.org/2008/10/6/naomi\\_klein](http://www.democracynow.org/2008/10/6/naomi_klein). What was occurring in democratic Chile before Friedman and the Military dictatorship of Pinochet was widely known and indeed Allende invited the world to comment and make suggestions for progressive advance, see: Zammit, J. Ann, *The Chilean Road to Socialism: Proceedings of an ODEPLAN—IDS Round Table, March 1972*. (The Institute of Development Studies at the University of Sussex England, 1973).

Friedman what is called an *outlier* or *aberration*, in the set of data points of conservative economists.<sup>28</sup>

Stigler's mild words, below, emphasize the more normal data point positions for mainstream economists. In retrospect there can be no doubt that Friedman, too, was wanting to do anything but *contribute to the wind* in a progressive sense.

“...to maintain or preserve the existing system...[at least in] the basic structure of society ...in a period of considerable social changes ...conservatives possess less than they want of the past. ...More broadly one can say that economists have not been among the leaders of any important movement for the adoption of policies incompatible with the conservative position. They have not been leaders in the sense of being active public propagandists for the non-conservative policies nor in the sense of providing a blueprint of reform or even a trenchant indictment of the real or alleged failures of conservative economic policy. They have been campfollowers, when not critics, in the area of egalitarian policies, in the areas of state intervention in competitive markets, including agriculture, labor, and housing. In fact *they have been leaders only in the areas of freer trade policy and antitrust policy, two traditional elements of the conservative position, and in the fields of monetary and fiscal policy, where the paramount role of the state has always been acknowledged although the script for that role has been much debated.* ...Once violent debates over questions like the propriety of free public libraries have vanished from discussion, and once absurd heresies like governmental support of an agricultural class have won, if not our support, at least a measure of tolerant resignation. We (conventional economists) shall no doubt continue to bend before a strong wind, but I consider it a remarkable effect of our professional [conservative] discipline that we shall not be contributing to the wind.”<sup>29</sup>

The point is that if and when they assert that, they, mainstream economists are morally neutral and non-normative this seems to be mere deceptive pretense, for the opposite is true. For all their protests of value free neutrality, many, but certainly not all, neo-

<sup>28</sup> But clearly, I want to emphasize, I am tying the *conservative* descriptor to perverse economic and social policy everywhere (as many have done). Thus Kaldor's epitaph to Margaret Thatcher “They create a desert and call it stability” (“Nicholas Kaldor's Epitaph” to Margaret Thatcher (from *The Economic Consequences of Mrs. Thatcher*): <http://economics.uwaterloo.ca/needhdata/KaldorN.pdf>) also applies to Friedman and his Chicago boys and to Ronald Reagan and supply-siders everywhere, and to the likes of George Bush. Note that Kaldor's words echo those of Karl Polanyi, cited at the outset. CB Macpherson produces the tombstone for the epitaph in Macpherson, C.B., “Elegant Tombstones: A Note on Friedman's Freedom.” Essay VII of the *Democratic Theory: Essays in Retrieval*, (Oxford: Oxford University Press, 1973). 143-156. Consistently see: Stephen Lewis, Deputy Executive Director, UNICEF, New York. Stanley Knowles Visiting Professor in Canadian Studies University of Waterloo. The 1998 Inaugural Kerr-Saltsman Lecture in Canadian Studies. *The Rise and Fall of Social Justice*: <http://economics.uwaterloo.ca/needhdata/Lewisprog.html>; Dalton Camp. Stanley Knowles Visiting Professor in Canadian Studies, The Kerr-Saltsman Lecture in Canadian Studies, University of Waterloo, March 23, 2000: *Neo-Conservatism: How to Wreck a Country Without a Hammer (Part II)*: <http://economics.uwaterloo.ca/needhdata/camp.html>. Frank, Thomas, *The Wrecking Crew: How Conservatives Rule*, (*Metropolitan*; 1st edition, 2008). Does it seem too much to argue that such tied-to-the-past Conservatives, seem not fully evolved as human beings. This is clearly related to taking the system as given in policies as in economics as a discipline.

<sup>29</sup> G. J. Stigler, “The Politics of Political Economists,” *Quarterly Journal of Economics*, LXXII(1959), 523, 525, 532. Emphasis added. Stigler points out that the main reason for the economist's conservatism is to be found in his training in a resource allocation model (neo-classical economics) that suggests the perfectly competitive free-enterprise market price system is an objective mechanism. This is the same competitive/marginalist apparatus that Schumpeter said should be the first thing to go in reforming economics because: “... the problem that is usually being visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them. As long as this is not recognized, the investigator does a meaningless job. As soon as it is recognized, his outlook on capitalist practice and its social results changes considerably.” [Joseph A. Schumpeter, *Capitalism, Socialism and Democracy, Chapter VII: The Process of Creative Destruction* 3rd Edition 1950. (New York: Harper Torchbooks, 1962), 83.]

classical<sup>30</sup> economists agree that capitalism is an immoral system. Their agreement clearly cannot be seen as constituting value-free positions. It seems that explicit agreement with the moral judgment implies the moral necessity to take a deliberate approach to discipline change/reform that would clarify and make explicit the social/moral nature of capitalism and of proposed reforms. The fact that some neo-classical economists would argue that capitalism is not immoral seems an indefensible refuge in light of both facts and definition.

To illustrate: I have had an unanswered debate on ‘neutrality’ in economics with a micro-economics theorist, who just happens to have been a former President of the Canadian Economics Association. He “does not agree that capitalism is an immoral system,” Moreover, he argues that neo-classical economists practice a discipline that is *amoral* “because it does not take a position on moral issues” and that *being amoral* is different from being “deliberately blind to right and wrong.”

Note that the assertion that capitalism is not an immoral system is not an amoral and value-free statement—so that the former CEA President has implicitly committed himself to holding a moral position. Moreover, the assertion seems to imply he has a definition of capitalism that has, or may have, implications that are different from those of the standard scholarly definition of capitalism used by political economists (Paul Sweezy, Maurice Dobb, Joan Robinson, John Eatwell, for example) and political philosophers and theorists (for example, C.B. MacPherson, Gerald Cohen, John McMurtry, Michael Walzer).<sup>31</sup> The response to a request for his definition of capitalism has so far been that “that is difficult to say.” One inference that can be drawn from this exchange is that mainstream economists, as Friedman illustrates, are playing useless games—irrelevant (except in the sense of dangerous) to the world in which we live. They are not teaching students the fundamental things they need to know.<sup>32</sup> The exchange also provides some explanation of the fact that the vast majority of Honours graduates from economics programs leave without knowing the standard scholarly definition of capitalism and the logical moral/human implications of it.<sup>33</sup> In this way the ‘other world’ contrived by neo-classical economics serves the purpose of diverting attention from this world.<sup>34</sup> It can be said that neo-classical economics dulls social consciousness through, in effect, ‘brainwashing’. Economists contribute more than

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<sup>30</sup> The term *neo-classical* is in fact a misnomer. It is more accurate to say *neo-classicals are anti-classical*.

<sup>31</sup> The bibliography is of books that are consistent with the use of the scholarly definition of capitalism. I think this is true even of the conservative writers. for example, I think, Andrew Bacevich. Note the many items that are concerned with violations of law and human rights—for example Jane Mayer’s *Dark Side*, and Naomi Wolf’ *The End of America*. One should always equate the concept of power over others as related to the property rights (and wrongs) that are embedded in capitalism. The substantive democratic struggle is to advance *human rights and freedoms* against *capitalist property rights*. It can be argued that Friedman and his ilk saw the latter as being preferred to the former so that his freedom was the greater freedom of capital with labour subservient. Market rules are rules of property rights. The efforts of the Chicago boys always seemed to define the rules of the game .. the game they wanted to play.

<sup>32</sup> I agree with a colleague who has said that the mainstream has “a comparative advantage in teaching mathematics not economics.” That too is clearly part of the discipline’s problems.

<sup>33</sup> To assist in definition and critical evaluation see: W. Robert Needham, *The Essentials of Capitalism through Definitions: From Adam Smith to the Present Day*.

<http://economics.uwaterloo.ca/needhdata/CapitalismsEssentialsREV4290307.pdf>

<sup>34</sup> See also: *Gatekeeper Economics, Economy and Society—Conformance with Experience?*

[http://economics.uwaterloo.ca/needhdata/needham2.html#consumer \(Draft: 290106\)](http://economics.uwaterloo.ca/needhdata/needham2.html#consumer)

enough to bankrupt society in value terms. The same point is to be made with respect to Milton Friedman but he took attempts to dull social consciousness outside the classroom by controlling the lab, for example, in Chile.

Prescribed policies by conservatives are biased in favour of the ruling capitalist class and inevitably perpetuate what is wrong. In other words conservative policies cannot, except in the breach, by definition address the broad social problems<sup>35</sup> experienced by the people at large as victims of the system. This is because the system is taken as a given end and people are *non-chalantly* taken as means to be used by the government/business control apparatus.<sup>36</sup> The victims are blamed for the problems they experience. Indeed, the theory suggests that each person gets exactly what he or she deserves at the margin of their contribution ... that is, *justice is done or served by assumption*. So why it is that real injustices actually arise is not a question that economics students are asked to address; this goes along with ignoring our mutual obligations (under the UN UDHR) to teach and respect human rights,<sup>37</sup> let alone contributing to any progressive expansion of human rights.<sup>38</sup>

In teaching economics, one of the nonsense claims, sometimes used as an excuse by perpetrators of the mainstream's revealed *truth*, is that *there is no alternative*. In other words it is as if there is no alternative but to let evil beget evil, and to let injustices pile on injustices for we must uphold the system of man-made private property rights no matter the UN UDHR.<sup>39</sup> But this is blatant nonsense. In fulfilling its function as the appointed Gatekeeper the mainstream of the discipline deliberately turns its back on truth and alternatives<sup>40</sup> and chooses to work with the free-market model though it has

<sup>35</sup> But there has always been an alternative that works *for good rather than evil*. With respect to teaching economic theory see: J. Robinson, "Teaching Economics", in: *Collected Economic Papers*, Vol. 3, (Oxford: Basil Blackwell, 1965), 1-6. And at: <http://economics.uwaterloo.ca/needhdata/documents/JoanRobinsononTeachingEconomics.pdf>. More generally see, Galbraith, John K. *The Economics of Innocent Fraud: Truth For Our Time*. (Houghton Mifflin; 2004). And, Galbraith, John K. *The Good Society: The Humane Agenda*, (New York: Houghton Mifflin Company, 1996).

<sup>36</sup> And the point is beginning to register. The 2008 Nobel Prize award to Paul Krugman of Princeton University is one signal that laissez-faire economics is in free fall and the so-called Washington Consense is now dead. Kevin Gallagher, "The death of the Washington consensus?"

<http://www.guardian.co.uk/commentisfree/2008/oct/14/economy-development>. See Kleins' discussion of the Washington Consensus in *The Shock Doctrine: The Rise of Disaster Capitalism*.

<sup>37</sup> In its Preamble the UN UDHR says "... every individual and every organ of society, keeping this Declaration constantly in mind, shall strive **by teaching and education** to promote respect for these rights and freedoms and by **progressive measures, national and international**, to secure their universal and effective recognition and observance, both among the peoples of Member States themselves and among the peoples of territories under their jurisdiction." <http://www.un.org/Overview/rights.html> Bold italics added.

<sup>38</sup> See: Francesca Klug, "Inspiration of liberties writ large. (UDHR just as relevant as it was 60 years ago)," *The Guardian Weekly*, (December 12, 2008), 24. Ms. Klug is a Research Fellow at the London School of Economics.

<sup>39</sup> This seems to be true independently of the fact that UDHR Article 17.1 says "Everyone has the right to own property alone as well as in association with others." And 17.2 "No one shall be arbitrarily deprived of his property.

<sup>40</sup> A critical example of mainstream gate-keeping that bends economics away from the truth has to do with increasing returns: "... Allyn Young, Joseph Schumpeter and Nicholas Kaldor argued that it was statical equilibrium theory that had to be dumped or at least pushed to the sidelines in economics—proved less [than] palatable. The leading neoclassical theorists marched down the second of Sraffa's suggested avenues. *If increasing returns posed a problem for perfect competition and the optimality conditions that it implied, then increasing returns would have to go!*" Italics added. *Innovation, Resource Allocation, and Governance*: <http://fds.oup.com/www.oup.co.uk/pdf/0-19-829346-1.pdf> Note the parallel with Friedman's unscientific approach to changing the world to suit his normative predilections of what the world should be. Schumpeter in *Capitalism, Socialism and Democracy* said The usual theorist's paper and the usual government commission's report practically never try to see that behavior, on the one hand, as a result of a piece

been rejected by so many.<sup>41</sup> The gatekeeper function carries beyond policing the discipline so that the *right sort of material* is taught, to rejecting out of hand substantive contributions to knowledge arising from non-discipline and perhaps trans-disciplinary perspectives that raise questions about the validity of economic theory and practice.<sup>42</sup> One can note that not all students at the University of Chicago have succumbed to the forces placed on them by their instructors. World famous development economist Andre Gunder Frank, when he was a graduate student at Chicago left Friedman's workshop because he "... could not swallow the necessary measure of Friedman's scientific standards" and was told by Friedman that he, Frank, "... would never do as an economist [at least of the Friedman scientific persuasion – to measure the world in partial equilibrium] ... and would do well to go look for a job teaching somewhere in a small liberal arts college."<sup>43</sup>

of past history and, on the other hand, as an attempt to deal with a situation that is sure to change presently - as an attempt by those firms to keep on their feet, on ground that is slipping away from under them. In other words, the problem that is usually being visualized is how capitalism administers existing structures, whereas *the relevant problem is how it creates and destroys them. As long as this is not recognized, the investigator does a meaningless job. As soon as it is recognized, his outlook on capitalist practice and its social results changes considerably.*" CSD, VII, 83. And pointedly: "The first thing to go is the traditional conception of the modus operandi of competition. Economists are at long last emerging from the stage in which price competition was all they saw. [It is not clear that mainstream economics has emerged in the sense of continued adherence to the marginalist apparatus<sup>40</sup>]. As soon as quality competition and sales effort are admitted into the sacred precincts of theory, the price variable is ousted from its dominant position. However, it is still competition within a rigid pattern of invariant conditions, methods of production and forms of industrial organization in particular, that practically monopolizes attention. **But in capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest-scale unit of control for instance) — competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives.** This kind of competition is as much more effective than the other as a bombardment is in comparison with forcing a door, and [p. 85] so much more important that it becomes a matter of comparative indifference whether competition in the ordinary sense functions more or less promptly; **the powerful lever that in the long run expands output and brings down prices [as with, for example, the Apple Macintosh computer] is in any case made of other stuff.**" CSD, VII, 84,85. Emphasis added.

<http://economics.uwaterloo.ca/needhdata/Profit%20as%20the%20Root%20of%20All%20EvilREV.pdf>.

<sup>41</sup> See Keen, Steve, *Debunking Economics: The Naked Emperor of the Social Sciences*, (Annandale Australia: Pluto Press, 2000). And the partial list in: *The Current State of Economics as a Discipline: The Teaching of Economics—Introduction and Some Suggested Readings: Can Economics be Grounded in Reality?* <http://economics.uwaterloo.ca/needhdata/CurrentStateofEcon241103.pdf>

<sup>42</sup> This is clear from reactions by some proponents of the so-called Milton Friedman Institute at Chicago to the substantive criticisms of Milton Friedman's Chicago School who refuse to examine and comment on Naomi Klein's book *The Shock Doctrine: The Rise of Disaster Capitalism* because she is a journalist and therefore a non-economist. This seems equivalent to arguing that if she agreed with our assumptions she would see it our way and its our way or no way. This seems to reflect the view expressed as a *faux cowboy-ism*, in November 2001, by the Bush White House, that you're either with us or against us. Specifically "Over time it's going to be important for nations to know they will be held accountable for inactivity," he said. "You're either with us or against us in the fight against terror."

<http://archives.cnn.com/2001/US/11/06/gen.attack.on.terror/>

<sup>43</sup> Frank, A.G. *Economic Genocide in Chile: Monetarist Theory versus Humanity*, (Spokesman Books, 1976), 9. 10. Frank's is a sad account that would be amusing if it was not also frighteningly accurate of the unscientific state of the disciplines under Friedman and Arnold Harberger. Frank also singles out Theodore Schultz for special mention. In particular it is they " who have sought to inculcate upon generations of students that they should not read to inform themselves about the world." Frank's 1976 account is also a reflection, over 30 years later, of the on-going gatekeeper function served by the conservative biases with free markets held by mainstream economics Departments everywhere. To be perfectly clear it is Frank who is the intellectual and scientific superior. Even at the time he had left his professors behind him. Now see <http://cepa.newschool.edu/~het/> and for two examples: AG Frank, *Critique and Anti-Critique: Essays on Dependence and Reformation*, (New York, Praeger Scientific 1984), and A G Frank and Barry Gillis, *The World System: Five Hundred Years or Five Thousand*, (London: Routledge 1993,)

In the case of Friedman it appears to be the case that no matter that the theory doesn't work the theory is nevertheless right (because it is his classroom logic), thus the world of reality is wrong so the world of reality must be bent to conform to the idiosyncratic normative theory that he likes. Such arrogance seems to mirror that of Hitler and Mussolini in advance of their *corporatist vision*. In practice real world application of Friedmans' normatively given view of *what the world should be* has meant trying to wipe the slate clean of socializing influences, progressive measures and left wing gradualist governments.<sup>44</sup> So, away with the UN-UDHR. Communitarian individualism, according to the Friedman edict has to be replaced by the unconstrained laissez-faire market individualism agreeable to the capitalist. After the application of *shock therapy* of manipulated crisis and violence, including torture and its attendants,<sup>45</sup> people are not very likely to question the laissez-faire logic. Moreover children born into the system, and knowing no other are more easily trained to passive uncritical acceptance, that is, to take the system as given. Shock therapy ties Friedman and his Chicago Boys to the CIA<sup>46</sup> and to state sponsored murder. Indeed genocide.<sup>47</sup> Friedman, like mainstream economic theory, clearly fails both Rawls and Dewey, cited at the outset. World famous economist John Kenneth Galbraith, whose work is also ignored by many in the mainstream, has said:

*"Milton's [Friedman's] misfortune is that his economic policies have been tried." ..... "If all else fails, immortality can always be assured by spectacular error."*<sup>48</sup>

In fact, it can be emphasized, if classroom brainwashing (including the necessary repetition of rote learning of mathematical fomulations) constitutes a form of slate cleaning this sort of passive uncritical acceptance to teaching seems to be what dominates instruction in mainstream economics -- with or without Friedman (but consistent with his normative approach). Joan Robinson made this point in 1960 in saying:

"The prestige of the teachers and the books bears down on the serious student with a heavy weight. He learns to distrust his native common sense and to curb his generous impulses. He

<sup>44</sup> See: Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, (Knopf Canada, 2007). And Heraldo Munoz, *The Dictator's Shadow: Life Under Augusto Pinochet*, (Basic Books, 2008).

<sup>45</sup> See also: Jane Mayer, *The Dark Side: The Inside Story of How the War on Terror Turned into a War on American Values*, (Doubleday, 2008). Naomi Wolf, *The End of America: Letter of Warning to a Young Patriot*, (Chelsea Green Publishing; 1st edition, 2007). Though nooks such as these may not mention Friedman they connect through commitment in the US to free market and laissez-faire capitalism. But clearly Friedman, Pinochet and the Junta, in *grotesque* fashion, forgot about the negative freedom of Chileans, in bringing repressive policies to bear against them (including of course the assassination of democratically elected Chilean President Salvador Allende).

<sup>46</sup> "...the Chicago boys, as they are known in Chile, convinced the generals that they were prepared to supplement the brutality, which the military possessed, with the intellectual assets it lacked. The US Senate Select Committee on Intelligence has disclosed that CIA collaborators helped plan the economic measures that Chile's junta enacted immediately after seizing power ('A Draconian Cure for Chile's Economic Ills', Business Week, January 12)." Orlando Letelier, "The Chicago Boys in Chile: Economic Freedom's Awful Toll," *The Nation*, 28 August 1976. [http://www.tni.org/detail\\_page.phtml?page=letelier-docs\\_thenation](http://www.tni.org/detail_page.phtml?page=letelier-docs_thenation). Andre Gunder Frank, a student of Friedman's at Chicago put his views of what Freidman meant to Chile in two letters. See <http://www.rrojasdatabank.org/genoc1a.pdf> and: <http://www.rrojasdatabank.org/genoc2.pdf> One may characterize the descent of the Chicago boys on Chile and elsewhere to be like members of the group known as the *Four Horsemen of the Apocalypse*—War, Famine, Pestilence and Death.

<sup>47</sup> Frank Andre Gunder *Economic Genocide in Chile: Monetarism Versus Humanity*, (Spokesman Books, 1976).

<sup>48</sup> See: John Kenneth Galbraith. [http://www.softpanorama.org/Skeptics/Quotes/famous\\_galbraith\\_quotes.shtml](http://www.softpanorama.org/Skeptics/Quotes/famous_galbraith_quotes.shtml)

submits himself to [or is subjected to] a course of miseducation and comes out, not ‘by the same door wherein he went’ but by another door, in the wrong street.”<sup>49</sup>

As suggested earlier, Friedman’s commitments have led to his association with the attempt to establish and prop up the evils of right-wing governments around the world.<sup>50</sup> Probably the best and most thorough work on this now is that of Naomi Klein cited above (but see also Susan George,<sup>51</sup> and earlier Frank and Chossudovsky cited before).

Frank Cunningham also wrote:

“The government of Thatcher and Reagan advocated using state power to enforce market capitalism, while limiting the state itself, but instead they have expanded the state, mainly into the military. Post 1973 Chile, with a state economic policy specifically designed for it by Milton Friedman (shortly after the democratically elected President Allende was machine gunned to death in his office by soldiers of the government that replaced him), is a more grotesque example. The existing ‘free’ market, in addition to bringing economic chaos, has coexisted with one of the most coercive police states in our times.”<sup>52</sup>

Overall, the Friedmanist and mainstream projects are inconsistent with both the concept of University and science and with human rights advancement. In reality there is no free market.<sup>53</sup> Institutional economic power, still lingering slavery, and ubiquitous wage and debt slavery make the point, along with the fact that associated political and military power and persuasion trumps morality, fairness and democracy and thus human rights. (Human rights extensions represent an extension of *substantive democracy*). Though market power dictates, in fact race, culture and history still matter and morality, and fairness and democracy are recognized, amongst intellectuals, as values that preserve and strengthen local and wider communities along progressive lines consistent with the UNUDHR.

Even earlier: Keynes’ indictment of monetary policy from the 1930’s is an apt general description of monetary and free market policy and should have forewarned us as to the nature of results to be expected from Friedman’s dangerous and maniacal goals some 40 years later.

“...monetary policy (is) “simply a campaign against the standard of life of the working classes” operating through the “deliberate intensification of unemployment ‘by using the weapon of economic necessity against individuals and particular industries” a policy which the country

<sup>49</sup> Joan Robinson “Teaching Economics, in *Collected Papers* Vol 3. 1-6. (Oxford: Basil Blackwell, 1965). Originally in *Economic Weekly* (Bombay) January 1960

<sup>50</sup> <http://economics.uwaterloo.ca/needhdata/documents/JoanRobinsononTeachingEconomics.pdf>

<sup>51</sup> It seem disingenuous to argue that the idea was that right-wing authoritarian governments were much better bets for conversion to democracy than left-wing totalitarian ones. The truth would rather seem to require admitting that what was done was fascist and that totalitarians at home and abroad have no interest in promoting the democracy that will be their ultimate downfall.

<sup>52</sup> George, Susan, *Hijacking America: How the Secular and Religious Right Changed What Americans Think*, (Cambridge, Mass: Polity Press, 2008). George, Susan, *the lugano Report: On Preserving Capitalism in the Twenty-First Century*, 2nd edition. (London: Pluto Press, 2003). George, Susan, *Another World Is Possible If*, (London: Verso, 2004)

<sup>53</sup> Cunningham, F. *Democratic Theory and Socialism*, (Cambridge: Cambridge University Press, 1987). 106. Cunningham refers to P. Dworkin, “Chile’s Brave New World of Reagonomics,” *Fortune*, (Nov. 2, 1981), 136-144.

<sup>54</sup> See: Reich, Charles A. *Opposing the System* (New York: Crown Publishers, Inc., 1995).

would never permit if it knew what was being done.”<sup>54</sup>

Joan Robinson diagnosed the discipline of mainstream economics as having *mumpsimus*. (persistence in an error long after it has been revealed.<sup>55</sup>) while Kaldor described the manifestations of the disease in the following terms:

“...the prevailing theory of value ... “equilibrium economics” is barren and irrelevant as an apparatus of thought to deal with the manner of operation of economic forces, or as an instrument for non-trivial predictions concerning the effects of economic changes, whether induced by political actions or by other causes. ... the powerful attraction of the habits of thought engendered by ‘equilibrium economics’ has become a major obstacle to the development of economics as a *science* ‘meaning by the term “science” a body of theorems based on assumptions that are *empirically* derived (from observations) and which embody hypothesis that are capable of verification both in regard to assumptions and the predictions. ... ‘In fact equilibrium theory has reached the stage where the pure theorist has successfully (though perhaps inadvertently) demonstrated that the main implications of this theory cannot possibly hold in reality, but has not yet managed to pass his message down the line to the textbook writer and to the classroom. Yet without a major act of demolition—without destroying the basic conceptual framework—it is impossible to make any real progress. On the one hand it is increasingly recognized that abstract mathematical models lead nowhere. On the other hand it is also recognized that “econometrics” leads nowhere’ the careful sifting of statistics and the development of refined methods of statistical inference cannot make up for the lack of any basic understanding of how the actual economy works. ... sudden bursts of fashion are a sure sign of the “pre-scientific” stage, where any crazy idea can get a hearing simply because nothing is known with sufficient confidence to rule it out.”<sup>56</sup>

Additionally from B. McFarlane:

“...the general equilibrium economists’ pretensions to have established ‘uniqueness’ have been destroyed by P. Sraffa; their claim to have established ‘stability’ has been destroyed by Kaldor..., while the whole exercise of establishing ‘optimality’ has also been under-mined thoroughly by K.J. Arrow, a pioneer of the theory. It remains to be said that no convincing replies to Cambridge theory have come yet from the other side. University lecturers plough on, teaching mainstream economics regardless.”<sup>57</sup>

More generally the entire logical positivist apparatus in all sciences —social and physical —has been open to question. The critique is far more than based simply on alternative approaches with different ideological bases.<sup>58</sup> Many scientists now

<sup>54</sup> N. Kaldor, *The Scourge of Monetarism*, 1; and quoting Keynes from J.M. Keynes, “The Economic Consequences of Mr. Churchill,” and reprinted in: *The Collected Writings of John Maynard Keynes*, Vol. IX (London, 1972), 207-230.

<sup>55</sup> J. Robinson, “The Stagflation Puzzle”, *Challenge Magazine*, 1979); and see, A. Arouh, “The Mumpsimus of Economists and the Role of Time and Uncertainty in the Progress of Economic Knowledge”, *Journal of Post-Keynesian Economics*, IX:3(1987), 395.

<sup>56</sup> N. Kaldor, “The Irrelevance of Equilibrium Economics,” *Economic Journal*, 82(1972), 1237, 1240

<sup>57</sup> B. McFarlane, *Radical Economics*, (London: Croom Helm, 1982), 64. Related: “ ... Allyn Young, Joseph Schumpeter and Nicholas Kaldor argued that it was statical equilibrium theory that had to be dumped or at least pushed to the sidelines in economics—proved less [than] palatable. The leading neoclassical theorists marched down the second of Sraffa’s suggested avenues. If increasing returns posed a problem for perfect competition and the optimality conditions that it implied, then increasing returns would have to go!” Innovation, Resource Allocation, and Governance: <http://fds.oup.com/www.oup.co.uk/pdf/0-19-829346-1.pdf>

<sup>58</sup> See for example: C. Beed, “Philosophy of Science and Contemporary Economics: An Overview”, *Journal of Post-Keynesian Economics*, XIII:4(1991), 459-494. G. Routh, *The Origin of Economic Ideas*, (London: The

agree that:

“...when the history of science is studied, we see that scientists make concrete achievements through relying on intuition, guessing, imagination, hunches, lucky accidents, bluffs, propaganda, myth, metaphysics, induction and falsification; [everywhere,] says Feyerband, ‘science is enriched by unscientific methods and unscientific results’.”<sup>59</sup>

The social scientist must have wider interests than those of discipline specialists. In the view of the philosopher Popper, at stake is science itself.

“The growth of normal science, which is linked to the growth of Big Science is likely to prevent, or even destroy, the growth of knowledge, the growth of great science. I regard this situation as tragic if not desperate; and the present trend in the so-called empirical investigations into the sociology of the natural sciences is likely to contribute to the decay of science. Superimposed upon this danger is another danger, created by Big Science: its urgent need for scientific technicians. More and more Ph.D. candidates receive a merely technical training, a training in certain techniques of measurement; they are not initiated into *the scientific tradition, the critical tradition of questioning, of being tempted and guided by great and apparently insoluble riddles rather than the solubility of little puzzles*. True, these technicians, these specialists, are usually aware of their limitations. They call themselves specialists and reject any claim to authority outside their specialities. Yet they do so proudly and proclaim that specialization is a necessity. But this means flying in the face of the facts which show that great advances still come from those with a wide range of interests. If the many, the specialists, gain the day, it will be the end of science as we know it - of great science. It will be a spiritual catastrophe comparable in its consequences to nuclear armament.”<sup>60</sup>

Nobel Prize winner<sup>61</sup> John Polanyi’s words are relevant:

“...**It is the moral force of science** —evident in such individuals as Bertrand Russell and Andre Sakharov — that makes it effective. ... Scientists must support human rights, because if democracy dies so does free enquiry. [And he uses the words], “commonality of people’s experience, ...commonality of human worth,... we must treasure the experience of others. All are discoverers, and if we disenfranchise any, all suffer. ...Academies of Science use their influence around the world in support of human rights. They should do the same for democracy, for the death of democracy is the death of free enquiry. The bell tolls for us.”<sup>62</sup>

In the same vein the late Professor Edward Said, University Professor of English and Comparative Literature at Columbia University, and Noam Chomsky, Institute Professor Emeritus and Professor Emeritus of Linguistics at the Massachusetts Institute of Technology, uttered succinct and relevant statements when the University of Toronto presented them with honorary degrees at the June 2000 Convocation. From Said:

”...there can be no standing aside and refusing to enter a controversy just because one isn’t an expert or directly involved. **As searchers after truth**, we must ...raise questions when docility is often required, make trouble when submissiveness is expected, and express dissatisfaction when

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Macmillan Press Ltd., 1975).

<sup>59</sup> C. Beed, ?Philosophy of Science and Contemporary Economics: An Overview,? *Journal of Post Keynesian Economics*, XIII:4(1991), 470; quoting P. Feyerband, *Against Method*, (London: New Left Books, 1975), 305.

<sup>60</sup> K. R. Popper, ‘Reason or Revolution?’ in the *Positivist Dispute in German Ideology*, (London: Heinemann Educational Books, 1976), quoted in H. Katouzian, *Ideology and Method in Economics*, 131. Emphasis added

<sup>61</sup> 1986 Nobel Prize in chemistry — his chemistry research is known as dynamics of chemical reactions

<sup>62</sup> See John Polanyi, “Quest for a truly social science,” *The Globe and Mail*. (Saturday, April 29, 2000), A19, Emphasis added.

a sort of lobotomized passivity is aimed at.” [And from Chomsky, consistently] “Virtually every-dynamic component of the modern economy, from computers and the Internet to the biology-based industries, is to a considerable extent an outgrowth of university research, one of the many ways in which costs and risk [of private business] are socialized in ***what is misleadingly described as a free-enterprise market economy.***”<sup>63</sup>

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So Milton Friedman is or was an aberration. Friedman, accompanied on the low road to laissez-faire markets by mainstream neoclassical economics, has contributed to the discipline’s on-going mis-education of students and to mis-directed national policy, with a full range of human rights abuses and other social costs both at home and abroad. Items under my name in the bibliography below point the way to reform in ways that would avoid criticism by Rawls and Dewey, Cohen and Popper and by the many in the discipline already noted here and elsewhere. My web page is a more complete outline that looks to transcend *disciplinolatry*.

In his exceptional no-nonsense book *The Limits of Power* Andrew J. Bacevich argues that the United States has only to look inside itself to see the homegrown seeds of its own destruction. The seeds were sown in the capitalist system long before George W. Bush. On the page preceding his Table of Contents Bacevich<sup>64</sup> admonishes and warns all Americans to ***Set thine house in order.***<sup>65</sup>

One might hope that this warning to ***Set thine house in order*** would also serve to invigorate the discipline of economics and the ideologically biased universities<sup>66</sup> in which mainstream Departments of Economics are housed --- to look within themselves at the seeds of their own destruction found in untenable assumptions and givens, and in goals that lack *Enlightenment quality*. It is all too easy to bend operations towards larger and larger quantities of money/product/endowment obtained by more in the way of technological fads, not excluding investments in space, many of which come from the universities’ technical labs. While these may keep the system going for a while they require new things to be found to keep the old game alive, they do little or nothing to directly address economic and social problems and the real needs of the people. “The

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<sup>63</sup> As cited by Haroon Siddiqui, “Chomsky and Said stir the soul,” *The Toronto Star*, (Sunday June 18, 2000), A13. EmphAsis added.

<sup>64</sup> Bacevich’s book seems consistent with the arguments of Andre Gunder Frank. See; Frank Andre Gunder, “THE NAKED HEGEMON Part 1: Why the emperor has no clothes” PART 2: The center of the doughnut”. *Asia Times* Jan 6: [http://www.atimes.com/atimes/Global\\_Economy/GA06Dj01.html](http://www.atimes.com/atimes/Global_Economy/GA06Dj01.html); and *Coup d’Etat in Washington and "The Dollar Paper Tiger", Fiery Dragon in Asia and the Pacific* Centre for Research on Globalisation: <http://globalresearch.ca/articles/FRA406A.html>

<sup>65</sup> 2 Kings, Chapter 20, Verse 1 “In those days was Hezekiah sick unto death. And the prophet Isaiah the son of Amoz came to him, and said unto him, Thus saith the LORD, Set thine house in order; for thou shalt die, and not live.

<http://www.illuminatedbible.com/2kings/chapter020verse001.htm>

<sup>66</sup> Indeed many seem to have passively accepted the notion that we are at the end of history -- as envisioned by Francis Fukuyama, in *The End of History and the Last Man*, (New York: Avon Books, 1992). The mainstream economics argument continues to support what has long been the fallacy of American economics. Related see: Berman, Morris, *Dark Ages America: The Final Phase of Empire*, (New York: Norton: 2006). Berman, Morris, *The Twilight of American Culture*, (New York: W. W.Norton & Company. 2001).

problems that exist in the world today cannot be solved by the level of thinking that created them.”<sup>67</sup> Yet it seems hardly recognized that we need to re-orient or transform the economy and government and society to putting people first and using the transformed system as means to those ends. It is disconcerting that the real needs of the people are so easily met through, say, an unconditional basic income. The UBI is a means to a degree of *real freedom for all*. Yet ordinary people are put at the bottom of the ladder and are largely ignored in favour of propping up and supporting the entrepreneurial initiatives of the next fad or the old fad that is or has failed or is failing.

The universities could be re-mandated to devote more to resources to open and trans-disciplinary teaching and do research focused on meeting economic and social problems and the real needs of the people. The point is that corporate entities seem to want universities and economists to be uncritical and, to, rather, sing free enterprise tunes extolling the profitability and benefits, at least to them, of unregulated markets. In the clamour, the fact of systemically generated injustices and other social costs are ignored. Consistency with the concept of university and science requires more.

One has reason to be pessimistic about the possibility of serious reform of economics as a discipline. The power of administrative vested interests is great in economics (people do what they were hired to do and even with tenure<sup>68</sup> have little interest in broader views of their proper intellectual roles in society) moreover narrow institutional power is not independent of vested interests in the capitalist’s system generally.<sup>69</sup> Globalization, which many agree has failed, has highlighted the low road of American inspired and led international fascism and terrorism; optimistically that sad record<sup>70</sup> will increasingly be compared to what can be achieved peacefully and in accord with the progressive advance of human rights through the practices of international socialism.<sup>71</sup>

But again Rawls points the way: *A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.*<sup>72</sup>

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<sup>67</sup> Albert Einstein

<sup>68</sup> One might recall Sinclair: “It’s difficult to get a man to understand something, when his salary [*and tenure in Departments of Economics*] depends on him not understanding it. [ignoring inconvenient truths]” Upton Sinclair, *I, Candidate for Governor: And How I Got Licked* (1935).

<sup>69</sup> “The Neoliberal University in Ontario: Dynamics of Change at York.” *The Bullet* Socialist Project • E-Bulletin No. 165. December 5, 2008 <http://www.socialistproject.ca/bullet/bullet165.html#continue>, Not inconsistently: “Donald Thain, an emeritus professor who for four decades taught at what is now the Ivey School of Business at University of Western Ontario, agrees that *he and his colleagues must shoulder some of the responsibility for the moral decay of contemporary business*. … “We should have seen this whole culture becoming dysfunctional. We [like mainstream economics] didn’t take the big position against it.” (Pitts, Gordon, “Schools stand trial along with disgraced alumni: Corporate scandals touch some of North America’s best alma maters,” *The Globe and Mail*, Monday March 8, 2004, B6).

<sup>70</sup> See the articles by Frank cited just before.

<sup>71</sup> On socialism see: Bernard Crick, *Socialist Values and Time*, Fabian Tract 484, (London: The Fabian Society, 1984). Also as: <http://economics.uwaterloo.ca/needhdata/CrickSVT2.pdf>

<sup>72</sup> John Rawls, *A Theory of Justice*. (Cambridge, MA: Harvard University Press, 1971), 3.

Morality, human rights and science are intimate in this. Reform, it is suggested requires starting with fulfilling our mutual obligations with respect to human rights<sup>73</sup> and substantive democracy. CB MacPherson defines democracy for us.

“As soon as democracy is seen as a kind of society, not merely a mechanism of choosing and authorizing governments, the egalitarian principle inherent in democracy requires not only ‘one man, one vote’ but also ‘one man, one equal effective right to live as fully and humanly as he may wish’. Democracy is now seen, by those who want it and by those who have it (or are said to have it) and want more of it, as a kind of society - a whole complex of relations between individuals - rather than simply a system of government. So any theory which is to explicate, justify, or prescribe for the maintenance or improvement of, democracy in our time must take the **basic criterion of democracy to be that equal effective right of individuals to live as fully as they may wish. This is simply the principle that everyone ought to be able to make the most of himself, or make the best of himself.** ... this not only was the principle introduced into predemocratic liberal theory in the nineteenth century to make it liberal-democratic, but ...it is now an essential principle of any democratic theory. Moreover ...this principle requires (as Mill and Green thought it did) a concept of man as at least potentially a doer, an exertor and developer and enjoyer of his human capacities, rather than merely a consumer of utilities.”<sup>74</sup>

Economists might reflect on sharing with Joan Robinson a personal concern with what they are doing. Joan was a tenured member of faculty at Cambridge University (England)

— *I would like to believe that I earn my living honestly, but I often have doubts. ... We must try as best we may to do a little good here and there to set the scales against all the harm.*<sup>75</sup>

The harm is *miseducation* imposed by an uncaring conservative and mainstream discipline seemingly interested only in technique and the safety found in technical specialization.<sup>76</sup> But other disciplines are involved.<sup>77</sup> Neo-Conservatives/Neo-Liberals

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<sup>73</sup> Conservative led Canada, provincially and federally, has problems in this regard. In Conservative Ontario under Premier Mike Harris see: LIFT (Low Income Families Together), *The Ontario People's Report to the United Nations on Violations of the International Covenant on Economic, Social and Cultural Rights in the Province of Ontario, Canada*, (Toronto: Low Income Families Together (LIFT), 1998). This document was submitted to the UN Committee on Economic, Social and Cultural Rights, Geneva in November 1998). Federally see: “Amnesty group slams Canada over human rights.” *KW Record* (December 11, 2007) <http://news.therecord.com/article/281077>; Greg Mercer, “Canada sending ‘wrong message’ on human rights,” *KW Record*, (December 11 2008); Colin Perkel, “Harper government abruptly abandoned Canadian on U.S. death row, court told,” The Canadian Press (September 29, 2008) <http://news.therecord.com/article/421529>. Legalizing Terror: The Canada-Colombia Free Trade Agreement, *Ten Top Reasons why Canada Should stop the Free Trade Deal with Columbia:* <http://canadianlabour.ca/sites/clc/files/ColombiaCartoonEng.pdf>. Bruce Campbell writes: “Back in 1984, Mulroney said, “Give us 20 years and you won’t recognize this country.” Canada today has certainly changed. It wears the scars of neo-liberal policies. The Canadian welfare state is still standing, but battered and bruised, and under continuing attack. We now have in power the most conservative prime minister in our history—one whose long term goal is to roll back the Canadian social state.” Bruce Campbell, “Now is the time to advance a progressive policy agenda,” *The CCPA Monitor*, (15:7 (December 2008-January 2009)), 1.

<sup>74</sup> Macpherson, C.B., *Democratic Theory: Essays in Retrieval*, (Oxford: Oxford University Press, 1973), 51. Emphasis added. See in particular: "Elegant Tombstones: A Note on Friedman's Freedom." Essay VII of *Democratic Theory: Essays in Retrieval*, 143-156.

<sup>75</sup> Robinson, Joan, “Teaching Economics”, in: *Collected Economic Papers*, (Oxford: Basil Blackwell, 1965), 1-6. <http://economics.uwaterloo.ca/needhdata/documents/JeanRobinsononTeachingEconomics.pdf>

<sup>76</sup> Others may also have heard a student or students say such things as “ All we ever learn around here is the calculus” and “why do you take courses that makes you think, (Economic History and History of Thought) all I want is to be given the formula to be memorized and repeated on the examination.”

and their respective policies supporting capitalism everywhere serve to repress people adversely affecting their negative and positive freedoms.

There has been much harm done in allowing the ultra-conservative Milton Friedman and his Chicago Boys to test and have imposed on people at home and abroad<sup>78</sup> Friedman's noxious ideas about what the capitalist world should be.

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<sup>77</sup> Jacobsen, Kurt, "Academics are chided for guiding the military in guided killing: Helping them take aim humanely." *The Guardian Weekly*, (November 7, 2008), 43. From Jacobsen: "Objections to the HTS (Human Terrain System) programme range from the inherent secrecy of mission-oriented research to, as eminent anthropologist Marshall Sahlins observes, "manipulating local culture, imposing [our governments objectives] on them, transforming anthropologists into spies and putting people you work with [in the local area] at risk."

<sup>78</sup> For example: "For Argentines who know their history, the mall [Galerias Pacifico the crown jewel of Buenos Aires] stands as a chilling reminder that just as an older form of capitalist conquest was built on the mass graves of the country's indigenous peoples, the Chicago School Project in Latin America was quite literally built on the secret torture camps where thousands of people who believed in a different country disappeared." Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*, (Alfred A Knopf, Canada, 2007), 137.

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## ***Appendix #1***

<http://www.miltonfriedmancores.org/wp-content/uploads/2008/09/needham.pdf>

August 20, 2008

Dear Robert J. Zimmer, President  
University of Chicago  
Administration 501  
5801 South Ellis Ave.  
Chicago, IL 60637  
[rzimmer@uchicago.edu](mailto:rzimmer@uchicago.edu)

Dear Dr. Zimmer

I am writing to register my opposition to the establishment of a Milton Friedman Institute and to make a suggestion.

Simply put the ideological commitments of a *Friedman* institute would contribute to perpetuating the problems for economies and societies of the same sort that so many mainstream economists, including Milton Friedman, have foisted on the unsuspecting at home and abroad.

As I see it. John Dewey made the essential point. Dewey said “The transition from an ordinary to a scientific attitude of mind coincides with ceasing to take certain things for granted and assuming a critical or inquiring and testing attitude.”<sup>79</sup>

The economic and social system to which Friedman adheres is fabricated by him and those associated with him – by assumption - to be of a free-market minimalist government sort. What is assumed **is not just taken as given** by him and others of his stripe, but as **appropriate for all times and places and peoples**. This renders Friedmanist and mainstream projects inconsistent with both the concept of University and with that of science. In reality there is no free market,<sup>80</sup> institutional power dictates and race, culture and history matter.

The way out is to make the economic and social systems that exist in reality the subject of interdisciplinary investigation that is open ended, inquiring and critical.<sup>81</sup> Such investigations will inevitably require a proper intellectual base in human values that are acceptable at home and abroad. The United Nations Universal Declaration of Human

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<sup>79</sup> Dewey, John, "Logical Conditions of a Scientific Treatment of Morality", *Decennial Publications of the University of Chicago*, First Series, Vol. 3, (1903): 115-139. [http://www.brocku.ca/MeadProject/Dewey/Dewey\\_1903.html](http://www.brocku.ca/MeadProject/Dewey/Dewey_1903.html)

<sup>80</sup> See: Reich, Charles A. *Opposing the System* (New York: Crown Publishers, Inc., 1995).

<sup>81</sup> See further: Needham W. Robert, Reforming Economics-Ten Quick Steps towards Reality Economics: <http://economics.uwaterloo.ca/fac-needham.html>. Published in *COMER*, July 2008.

Rights, in the construction of which Eleanor Roosevelt was prominent, would seem to have such acceptance.

While I am sure that some of what is suggested here is already taking place. I nevertheless recommend that the University of Chicago formally turn its attention and resources to this wider university humanitarian perspective and away from the establishment of a Friedman Institute.

I attach two documents you might find of relevance.

Yours sincerely

W. Robert Needham  
Professor Emeritus  
Department of Economics  
University of Waterloo  
Chicago letter, final

Attachments:

Reforming Economics-Ten Quick Steps towards Reality Economics:  
<http://economics.uwaterloo.ca/needhdata/Reforming%20EconomicsSteps%20to%20Futher%20Reality%20Economics2.pdf>

Gatekeeper Economics and the Reality of Economy and Society (Draft)  
<http://economics.uwaterloo.ca/needhdata/EconSociety.pdf>

## **Appendix #2**

### **Milton Friedman's Ideal Right Wing Normative Model**

#### **Theoretical Propositions<sup>82</sup>**

**Under construction**

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<sup>82</sup> As listed in Chossudovsky, Michael, "The neo-Liberal Model and the Mechanisms of Economic Repression — The Chilean Case," *Co-Existence*, Volume 12(1975), 37.

