

# Free or Equal

ePortfolio Assignment

by

**Ana Priscila Hoerner**

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Free or Equal Questions:

- 1) If the government gives everybody the same freedom to work and reap the rewards, some will do better than others. The result will be equality of opportunity, but not equality of outcome.
- 2) Immigrants who arrived in the late 1800s/early 1900s found that America was “truly a land of opportunity.” Describe the factors these immigrants encountered which helped them “thrive.”
  - a) Some factors that immigrants encountered in 1800-early 1900s America were few government programs to turn to, there were no licenses, no permits, and no red tape to restrict them. They found in fact, a free market, and most of them thrived on it.
- 3) Describe how Hong Kong transformed from a “refugee camp with millions of extremely poor people” to an “economic powerhouse.”
  - a) Almost by accident Hong Kong was given economic freedom. The British government couldn’t be bothered with local Hong Kong affairs, and the governor of Hong Kong happened to favor free markets. Hong Kong never introduced all those policies that other governments did: no tariffs, no regulations or government intervention in the economy. The economy could evolve in a natural way. Thus, Hong Kong became an economic powerhouse. When Milton Friedman visited Hong Kong in 1980, it could boast statistics on life expectancy and infant mortality that equaled western countries, and, incredibly, it was on its way to become richer than its colonial ruler, Britain.
- 4) Explain “voluntary association” and why it is essential in a free market.
  - a) Voluntary association is what we do together of our own free will. When people buy and sell to each other, and none is subject to force or fraud, that is voluntary association. It is anything that is going on between consenting adults.
  - b) Voluntary association is essential in a free market, because people’s own interests and actions are the forces that organize marketplaces around the world.
- 5) Explain how the lead pencil and the smart phone are examples of “invisible hands.”
  - a) Adam Smith’s invisible hand is this: to make your life better, you have to better the lives of others. It is a complex interaction between thousands of people.
  - b) Lead pencils and smart phones are examples of invisible hands, because literally thousands of people cooperated to create pencils and smart phones.
- 6) Which technology did more to give the average person power? Explain how this technology was both “creative and destructive.”
  - a) Many would say that cell phones, or the cell phone revolution, did more to give the average person power, and to reduce poverty more than any government program.
  - b) The technology was creative, because it was new and innovative. It improved on landlines, by adding mobility and other features. That was especially beneficial to businessmen and women in developing communities, who now can communicate with their customers, check prices, and engage in other such endeavors.
  - c) When consumers move on to new goods, in this case from the landline to the cell phone, it can be difficult and painful, because old factories and shops close, and people lose their jobs. As people buy cell phones, they ditch their home phones. And then there is no need for all those workers who used to connect homes to wires, and repair telephone lines. That is when tens of thousands of people who worked hard and supported their families, through no fault of their own, lost their jobs, and their skills might not be in demand as technology takes a new leap. That is the destructive part.

- 7) Johan Norberg describes how his home country of Sweden taxes heavily and then redistributes wealth. Describe the benefits and drawbacks that this approach has had on the Swedish population.
- Sweden has relatively free markets in business. It's easy to start a company and compete without being stopped by licenses, regulations, and tariffs. To reduce differences of outcome, Sweden taxes heavily. Public spending almost doubled between 1960 to 1980: from 31% to 60% of GDP.
  - One drawback is that it has reduced the rewards for working hard and taking risks. The average big Swedish company is 94 years old. They have apparently not had the policies that encourage people to start the new businesses that might become tomorrow's Ericsson. The young people and the immigrants, who should be their future, are not starting the new Ericssons. In fact, they have many examples of young Swedes and entrepreneurial immigrants who moved from Sweden to Britain or the United States because the rewards are much greater there, where taxes are lower. In many suburbs outside of Stockholm the unemployment rate is higher than 50%. Even during the economic boom, almost a quarter of the working-age population in Sweden did not go to work, but got their checks from the government. It does seem to support the view that economic incentives matter.
  - Taxes were raised and benefit systems were made more generous. For example, sick benefits were at one point up to 80% of your income.
- 8) Explain how "Free markets regularly turn luxuries into consumer goods."
- People with a lot of money can afford to be early adopters, they can pay ridiculous amounts for the first versions of cell phones and personal computers, and that's a good thing for us. Because they create bigger markets, so the companies get revenue, so that they can streamline production and create lower-cost versions, so that all of us can buy one. And historically this seems to be the case. Free markets regularly turn luxuries into consumer goods.
- 9) As Milton Friedman said, "The society that puts equality before freedom will end up with neither. The society that puts freedom before equality will end up with a great measure of both."
- 10) Professor Friedman uses the analogy of a race to explain the concepts of Equality of Opportunity and the Equality of Outcome:

| Equality of Opportunity   | Equality of Outcome  |
|---|--|
| All race participants are given the opportunity to begin the race at the <u>same</u> starting line at the <u>same</u> time. | All race participants are <u>guaranteed</u> to finish at the <u>same</u> time. |
| Also known as <i>Free Market Capitalism</i> .   | Also known as <i>Equal Shares for All</i> .                                    |

### Classroom

Would you approve of using the Equality of Outcome method to calculating your final grade? Why or why not?

I would not approve of using the Equality of Outcome method of calculating my final grade.

I don't have time nor interest in working with others to bring up the class average to a grade I would be pleased with. It's a lot of work that I am not willing to put in.

I am in this class for myself and have my own goals, separate from everyone else's in the class.

I would not have signed up for a class with such a grading system without first knowing my teammates' (the other students) work ethics well enough to trust.

What are the pros and cons in using this method? (Equality of Outcome)

Pros:

Everyone probably gets a passing grade.

It might relieve the stress of needing to do well on every single quiz or assignment. Thus, students would have time for other pursuits outside of this class.

It might give some students a better grade than they would have otherwise received.

It might encourage students to help each other in order to improve the class average.

Cons:

It is not fair to give students who worked hard or put in moderate effort the same grade as students who didn't put in any effort.

Every student has different goals for the class; one of those goals might be to get an A to bring or keep up their GPA. That goal becomes very difficult to attain if the class average is what you get.

### **Workplace**

Would you approve of using the Equality of Outcome method in calculating your salary? Why or why not?

I would not approve of using a pure Equality of Outcome method in calculating my salary. I would approve of raising the minimum wage overall, because that leaves room for rewarding hard work and innovation with higher pay.

Working is not optional for the clear majority of people.

Most people are not inventors of the next iPhone. Most people are reliant on their next paycheck to meet their basic needs.

I feel good about the idea of having some social safety nets in place. I would feel good if everyone's basic needs of food and shelter were automatically met.

If everyone earned the same wage, then we might experience what my mom calls a "fuga de cerebros," meaning that the smart people would leave for a place where their ideas and hard work might be better rewarded, as has happened many times throughout history, and as Mr. Norberg explained has happened or is happening in Sweden.

I would not approve of a pure Equality of Outcome method of calculating my salary, because I can see that it did not work in Cuba, and so much so that Raul Castro abandoned the practice in recent years.

What are the pros and cons in using this method?

Pros:

If it is a successful company, then possibly everyone might earn a living wage.

Assuming everyone earned a living wage, those who previously earned too little or just barely enough to feed and house their own family might now have the opportunity at recreation or travel, thereby improving their and their family's quality of life.

Having a basic income might enable creativity in people who previously had no opportunity or resources to flourish in their creativity. This could bring about innovations that might benefit society.

Cons:

People who previously were high earners, or felt they had the potential to be a high earner, might find it especially unfair that possibly their potential was undercut.

If everyone was going to earn a collective average amount of money, then many people might feel disincentivized or discouraged to work to improve the average. The workplace is usually a much bigger pool than a classroom, where class averages are conceivably able to improve significantly with some effort.

Many people might quit, and go to work someplace else where their abilities are better or more generously compensated. It happens all the time that people leave a company to follow a better paycheck.

### **Reflective Writing**

Most importantly for me, this assignment has helped me develop skills to be civically engaged. I learned about Milton Friedman's ideas. I never heard of him before this assignment, and it was easy for me to agree with what he was saying. It lends words and clarity to my own previously held ideas of how the economy works. I have gained good examples and a resource in Friedman that I can use when I engage in civic discourse, especially in relation to my personal experiences and conversations with my friends and extended family. I feel more confident in my libertarian opinions regarding the federal government and our country's economy. More broadly, this course has given me a very broad perspective from an economic standpoint of US History. Yes, it's right in the course title, but it absolutely gave me a perspective I did not previously understand, and which I find very valuable. I know I will reference this course material again, and again in my personal life. It is an invaluable and very important sort of education for any citizen to have. I truly believe that.

Additionally, this assignment helped me to think critically and creatively. I can hold better informed opinions about government intervention in the economy with its economic policies. I can think critically and creatively about historical events I read about. I can think critically and creatively about news articles I read, I can try to spot the shills, the propaganda, I can try to identify an article as genuine but misguided. I think having this little bit more historical perspective on economic matters will be hugely beneficial to my understanding and analysis of the world around me.