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MILTON FRIEDMAN
ROSE D. FRIEDMAN

The Tide in the Affairs of Men

*There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.*

Shakespeare, *Julius Caesar*

♦ Shakespeare's image is an apt text for our essay. There are powerful tides in the affairs of men, interpreted as the collective entity we call society, just as in the affairs of individuals. The tides in the affairs of society are slow to become apparent, as one tide begins to overrun its predecessor. Each tide lasts a long time—decades, not hours—once it begins to flood and leaves its mark on its successor even after it recedes.

How tides begin in the minds of men, spread to the conduct of public policy, often generate their own reversal, and are succeeded by another tide—all this is a vast topic insufficiently explored by historians, economists, and other social scientists.¹

The aim of this brief essay is modest: to present a hypothesis that has become increasingly plausible to us over the years, to illustrate it with experience over the past three centuries, and to discuss some of its implications. The hypothesis is that a major change in social and economic policy is preceded by a shift in the climate of intellectual *opinion*, itself generated, at least in part, by contemporaneous social, political, and economic circumstances. This shift may begin in one country but, if it proves lasting, ultimately spreads worldwide. At first it will have little effect on social and economic policy. After a lag, sometimes of decades, an intellectual tide "taken at its flood" will spread at first gradually, then more rapidly, to the public at large and through the public's pressure on government will affect

...economy, society, and political policy. ...e tide in events reaches its flood, the intellectual tide starts to ebb, ...t by what A. V. Dicey calls counter-currents of opinion. The counter-currents typically represent a reaction to the practical consequences attributed to the earlier intellectual tide. Promise tends to be utopian. Performance never is and therefore disappoints. The initial protagonists of the intellectual tide die out and the intellectual quality of their followers and supporters inevitably declines. It takes intellectual independence and courage to start a counter-current to dominant opinion. It takes far less of either to climb on a bandwagon. The venturesome, independent, and courageous young seek new fields to conquer and that calls for exploring the new and untried. The counter-currents that gather force set in motion the next tidal wave, and the process is repeated.

Needless to say, this sketch is oversimplified and excessively formalized. In particular it omits any discussion of the subtle mutual interaction between intellectual opinion, public opinion, and the course of events. Gradual changes in policy and institutional arrangements are always going on. Major changes seldom occur, however, except at times of crisis, when, to use Richard Weaver's evocative phrase, "ideas have consequences." The intellectual tide is spread to the public by all manner of intellectual retailers—teachers and preachers, journalists in print and on television, pundits and politicians. The public begins to react to the crisis according to the options that intellectuals have explored, options that effectively limit the alternatives open to the powers that be. In almost every tide a crisis can be identified as the catalyst for a major change in the direction of policy.

We shall illustrate the relevance of our hypothesis with the two latest completed tides as well as the tide that, as we put it in the title of the final chapter of *Free to Choose*, is turning.²

The Rise of Laissez-Faire (the Adam Smith Tide)

The first tide we discuss begins in the eighteenth century in Scotland with a reaction against mercantilism expressed in the writings of David Hume, Adam Smith's *Theory of Moral Sentiments* (1759), and above all Smith's *The Wealth of Nations* (1776).

The Wealth of Nations is widely and correctly regarded as the foundation stone of modern scientific economics. Its normative thrust and its influence on the wider intellectual world are of greater interest for our present purpose. Its rapid success in influencing the intellectual community doubtless reflected the seeds planted by Hume and others—the intellectual counter-

currents to the mercantile tide—as well as the early stages of the Industrial Revolution.

On the other side of the Atlantic 1776 also saw the proclamation of the Declaration of Independence—in many ways the political twin of Smith's economics. Smith's work quickly became common currency to the Founding Fathers. Alexander Hamilton documented that phenomenon in a backhanded way in his 1791 *Report on Manufactures*. He quoted Smith extensively and praised him profusely while at the same time devoting the substance of his report to arguing that Smith's doctrines did not apply to the United States, which needed not free international trade but the protection of infant industries by tariffs—an example of the homage that vice, even intellectual vice, pays to virtue.

Smith had no illusions about the impact of his intellectual ideas on public policy: "To expect that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistably oppose it."³

His prediction proved false. By the early nineteenth century the ideas of laissez-faire, of the operation of the invisible hand, of the undesirability of government intervention into economic matters, had swept first the intellectual world and then public policy. Bentham, Ricardo, James Mill, and John Stuart Mill were actively engaged in spreading these ideas and promoting them politically. Maria Edgeworth was writing novels based on Ricardian economics. Cobden and Bright were campaigning for the repeal of the corn laws. Reinforced by pressures arising out of the Industrial Revolution, these ideas were beginning to affect public policy, though the process was delayed by the Napoleonic Wars with the accompanying high government spending and restrictions on international trade. Yet the wars also furnished the needed catalytic crisis.

The repeal of the corn laws in 1846 is generally regarded as the final triumph of Smith after a 70-year delay. In fact some reductions in trade barriers had started much earlier, and many nonagricultural items continued to be protected by tariffs until 1874. Thereafter only revenue tariffs remained on such items as spirits, wine, beer, and tobacco, countervailed by excise duties on competing domestic products. So it took nearly a century for the completion of one response to Adam Smith.

The other countries of Europe and the United States did not follow the British lead by establishing complete free trade in goods. During most of the nineteenth century, however, U.S. duties on imports were primarily for revenue, though protection did play a significant role, as rancorous political

debates, particularly between the North and the South, testify. Except for a few years after the War of 1812, customs provided between 90 and 100 percent of total federal revenues up to the Civil War. And except for a few years during and after that war, customs provided half or more of federal revenues until the Spanish-American War at the end of the century.

Nontariff barriers such as quotas were nonexistent. Movement of people and capital was hardly impeded at all. The United States in particular had completely free immigration. In Europe before World War I "the inhabitant of London," in John Maynard Keynes's eloquent words, "could secure . . . cheap and comfortable means of transit to any country or climate without passport or other formality . . . and could . . . proceed abroad to foreign quarters, without knowledge of the religion, language, or customs . . . and would consider himself greatly aggrieved and much surprised at the least interference."⁴

Hamilton's success in achieving protectionist legislation in the United States reflects the absence of effective ideological commitment by policy makers to avoiding intervention by government into economic activity, despite the intellectual tide set in motion by Adam Smith, the French physiocrats, and their later followers. However, strong belief in states' rights meant that states, not the federal government, played the major role. Many states established state banks, built canals, and engaged in other commercial enterprises. The catalytic crisis that produced a drastic change was the panic of 1837, in the course of which many, perhaps most, government enterprises went bankrupt. That panic served the same role in discrediting government enterprise as the Great Depression did nearly a century later in discrediting private enterprise.

In the aftermath the ideas of Adam Smith offered both an explanation and an obvious alternative option; tariffs aside, near complete laissez-faire and nonintervention reigned into the next century.

Measuring the role of government in the economy is not easy. One readily available, though admittedly imperfect, measure is the ratio of government spending to national income. At the height of laissez-faire, peacetime government spending was less than 10 percent of national income in both the United States and Great Britain. Two-thirds of U.S. spending was by state and local governments, with about half for education; federal spending was generally less than 3 percent of national income, with half of that for the military.

A striking example of the worldwide impact of the Adam Smith tide—this time in practice, not in ideas—is provided by post-Meiji Japan. For centuries prior to the Meiji Restoration in 1867, Japan had been almost completely isolated from the Western world. The new rulers had no ideological understanding, let alone commitment, to laissez-faire—the con-

trary, they attached little value to individual freedom, either political or economic. Their overriding objective was simply to strengthen the power and glory of their country.

Nevertheless, when the Meiji rulers burst into a Western world in which laissez-faire Britain was the dominant economy, they simply took for granted that Britain's policy was the one to emulate. They did not by any means extend complete economic and political freedom to their citizens, but they did go a long way, with dramatic and highly favorable results.⁵

The absence of a widespread ideological underpinning for these policies helps explain their lack of robustness. After World War I Japan succumbed to centralized control by a military dictatorship—a policy that led to economic stagnation, military adventurism, and finally Japan's entry into World War II on the side of the Nazis.

On a broader scale the tide that swept the nineteenth century brought greater political as well as economic freedom: widening rights and a higher standard of living for individuals accompanied increased international trade and human contact. It was heralded as a century of peace—but that is somewhat overstated. The tide did not prevent the U.S. Civil War, the Crimean War, the Franco-Prussian War, or other local conflicts. But there was no major widespread conflict between 1815 and 1914 comparable either to the Napoleonic Wars of the preceding years or to the world wars of the later years.

Despite occasional financial panics and crises, Britain and the United States experienced remarkable economic growth during the nineteenth century. The United States in particular became a mecca for the poor of all lands. All this was associated with—and many, including us, would say it was a result of—the increasing adoption of laissez-faire as the guiding principle of government policy.

The Rise of the Welfare State (the Fabian Tide)

This remarkable progress did not prevent the intellectual tide from turning away from individualism and toward collectivism. Indeed, it doubtless contributed to that result. According to Dicey, "from 1848 onwards an alteration becomes perceptible in the intellectual and moral atmosphere of England."⁶ The flood stage, when collectivism began to dominate intellectual opinion, came some decades later. The founding of the Fabian Society, dedicated to the gradual establishment of socialism, by George Bernard Shaw, Sidney Webb, and others in 1883 is perhaps as good a dividing date as any for Britain. A comparable date for the United States is 1885, when the American Economic Association was founded by a group of young econo-

mists who had returned from study in Germany imbued with socialist ideas, which they hoped to spread through the association—a hope that was largely frustrated when the association shortly adopted a policy of “non-partisanship and avoidance of official commitments on practical economic questions and political issues.”⁷ Confirming evidence is provided by the publication in 1888 of Edward Bellamy’s socialist utopian romance, *Looking Backwards*, which sold over a million copies.

How can we explain this shift in the intellectual tide when the growing pains of laissez-faire policies had long been overcome and impressive positive gains had been achieved? Dicey gives one indirect answer:

The beneficial effect of State intervention, especially in the form of legislation, is direct, immediate, and, so to speak, visible, whilst its evil effects are gradual and indirect, and lie out of sight . . . few are those who realize the undeniable truth that State help kills self-help. Hence the majority of mankind must almost of necessity look with undue favor upon governmental intervention. This natural bias can be counteracted only by the existence . . . , as in England between 1830 and 1860, of a presumption or prejudice in favor of individual liberty—that is of *laissez-faire*. The mere decline, therefore, of faith in self-help . . . is of itself sufficient to account for the growth of legislation tending toward socialism.⁸

A more direct answer is that two effects of the success of laissez-faire fostered a reaction. First, success made residual evils stand out all the more sharply, both encouraging reformers to press for governmental solutions and making the public more sympathetic to their appeals. Second, it became more reasonable to anticipate that government would be effective in attacking the residual evils. A severely limited government has few favors to give; hence there is little incentive to corrupt government officials, and government service has few attractions for persons concerned primarily with personal enrichment. Government was engaged primarily in enforcing laws against murder, theft, and the like and in providing municipal services such as local police and fire protection—activities that engendered almost unanimous citizen support. For these and other reasons, Britain, which went furthest toward complete laissez-faire, became legendary in the late nineteenth and early twentieth centuries for its incorruptible civil service and law-abiding citizenry—precisely the reverse of its reputation a century earlier. In the United States neither the quality of the civil service nor respect for the law ever reached the heights they did in Britain, but both improved over the course of the century.

Whatever the reasons, Fabian socialism became the dominant intellectual current in Britain, driving out, at the one extreme, radical Marxism, and at the other, laissez-faire. Gradually that intellectual current came to

dominate first public opinion; then government policy. World War I hastened the process, but it was already well under way before the war, as is demonstrated by Dicey’s prescient remarks in his 1914 preface to the second edition of *Law and Public Opinion*:

By 1900, the doctrine of *laissez-faire*, in spite of the large element of truth which it contains, had more or less lost its hold upon the English people . . . It also was in 1900 apparent to any impartial observer that the feelings or the opinions which had given strength to collectivism would continue to tell as strongly upon the legislation of the twentieth century as they already told upon the later legislation of the nineteenth century . . . and this conclusion would naturally have been confirmed by the fact that in the sphere of finance there had occurred a revival of belief in protective tariffs, then known by the name of a demand for “fair trade” [echoes of 1987!].

Dicey lists “the laws which most directly illustrate the progress of collectivism,” from the beginning of the twentieth century, starting with the Old Age Pension Act of 1908. In respect of a later act (the Mental Deficiency Act, 1913), he remarks that it “is the first step along a path on which no sane man can decline to enter, but which, if too far pursued, will bring statesmen across difficulties hard to meet without considerable interference with individual liberty.”⁹

Clearly the seeds had been sown from which Britain’s full-fledged welfare state grew, at first slowly in the interwar period and then with a final burst after World War II, marked perhaps by the adoption of the National Health Service and the panoply of measures recommended in the Beveridge report.

In the United States the development was similar, though somewhat delayed. After the popular success of Bellamy’s utopian fantasy came the era of the muckrakers, led by Lincoln Steffens, Ray Stannard Baker, and Ida M. Tarbell, with their exposures of alleged corruption and malfeasance in municipal government, labor, and trusts. Upton Sinclair used the novel to promote socialist ideas, his most successful being *The Jungle* (1906), which resulted from an assignment by a socialist newspaper to investigate conditions in the Chicago stockyards. Sinclair wrote the novel to create sympathy for the workers, but it did far more to arouse indignation at the unsanitary conditions under which meat was processed. On a different level Louis Dembitz Brandeis criticized the financial community. His volume of essays, *Other People’s Money and How the Bankers Use It* (1914), has been described as “a frontal assault on monopoly and interlocking directorates.”¹⁰

“The Populist party, through which William Jennings Bryan rose to” the nomination for the presidency on the Democratic ticket in 1896, “called not merely for regulation of the railroads but for outright government own-

ership and operation.”¹¹ The Interstate Commerce Commission, created in 1887, was shortly followed by the 1890 Sherman Antitrust Act and later by the 1906 Food and Drug Act, for which Sinclair’s novel served as the catalyst. The modern welfare state was well on its way. World War I greatly expanded the role of government, notably by the takeover of the railroads. The postwar period brought something of a reaction, with the major exception of Prohibition.

As late as 1929 federal spending amounted to only 3.2 percent of the national income; one-third of this was spent on the military, including veterans’ benefits, and one-half on the military plus interest on the public debt. State and local spending was nearly three times as large—9 percent of national income—with more than half on education and highways. Spending by federal, state, and local governments on what today is described as income support, Social Security, and welfare totaled less than 1 percent of national income.

The world of ideas was different. By 1929 socialism was the dominant ideology on the nation’s campuses. The *New Republic* and *The Nation* were the intellectual’s favorite journals of opinion and Norman Thomas their political hero. The impact of opinion on the world of practice, however, had so far been modest. The critical catalyst for a major change was, of course, the Great Depression, which rightly or wrongly shattered the public’s confidence in private enterprise, leading it to regard government involvement as the only effective recourse in time of trouble and to treat government as a potential benefactor rather than simply a policeman and umpire.

The effect was dramatic. Federal government spending grew to roughly 30 percent of national income by the 1980s, or to nearly tenfold its 1929 level. State and local spending also grew, though far less dramatically, so that by the 1980s total government spending was over 40 percent of national income. And spending understates the role government came to play. Many intrusions into people’s lives involve little or no spending: tariffs and quotas, price and wage controls, ceilings on interest rates, local ceilings on rents, zoning requirements, building codes, and so on.

The delayed impact of the intellectual climate of the 1920s illustrates one aspect of the influence of intellectual opinion—producing options for adoption when the time is ripe. Despite Norman Thomas’s popularity on the campus, he received less than 1 percent of the popular vote for president in 1928 and only 2 percent in 1932. Nonetheless, we concluded that “the Socialist party was the most influential political party in the United States in the first decades of the twentieth century . . . [A]lmost every economic plank in its 1928 presidential platform has by now [1980] been enacted into law.”¹²

Like the earlier tide, the Fabian tide was worldwide. It contributed no less to the success of the Russian and Chinese communist revolutions than to the welfare state in Britain and the New Deal in the United States. And it largely explains the adoption of centralized planning in India and other British and European former colonies when they achieved independence. A major exception was Hong Kong, one of the few British colonial possessions that remained under the control of the Colonial Office. It never departed from the Adam Smith tide and as a result was a precursor to the next tide.

The Resurgence of Free Markets (the Hayek Tide)

As in the preceding wave, the world of ideas started to change direction just as the tide in the world of practice was cresting.¹³ Throughout the ascendancy of socialist ideas there had, of course, been counter-currents—kept alive in Britain by G. K. Chesterton, Lionel Robbins, Friedrich Hayek, and some of their colleagues at the London School of Economics; in Austria by Ludwig von Mises and his disciples; and in the United States by Albert Jay Nock, H. L. Mencken, and other popular writers; Henry Simons, Frank Knight, and Jacob Viner at the University of Chicago; and Gottfried Haberler and Joseph Schumpeter at Harvard—to mention only a few.

Hayek’s *Road to Serfdom*, a surprise best-seller in Britain and in the United States in 1944, was probably the first real inroad in the dominant intellectual view. Yet the impact of the free-market counter-current on the dominant tide of intellectual opinion, though perceptible to those directly involved, was at first minute. Even for those of us who were actively promoting free markets in the 1950s and 1960s it is difficult to recall how strong and pervasive was the intellectual climate of the times.

The tale of two books by the present authors, both directed at the general public and both promoting the same policies, provides striking evidence of the change in the climate of opinion. The first, *Capitalism and Freedom*, published in 1962 and destined to sell more than 400,000 copies in the next eighteen years, was not reviewed at the time in a single popular American periodical—not in the *New York Times*, the *Chicago Tribune*, *Newsweek*, *Time*, you name it. The second, *Free to Choose*, published in 1980, was reviewed by every major publication (by some more than once), became the year’s best-selling nonfiction book in the United States, and received world-wide attention.

Further evidence of the change in the intellectual climate is the proliferation of think tanks promoting the ideas of limited government and reliance on free markets. In a recent talk Ed Feulner, president of the Heritage

Foundation, could mention only four that existed three decades ago: the Hoover Institution, still here today; the Intercollegiate Society of Individualists, which has changed its name but kept the initials; an embryonic American Enterprise Institute; and the Center for Strategic and International Studies. He should also have included Leonard Read's Foundation for Economic Education (FEE).

By contrast, Feulner noted a long list of additional institutions currently devoted to developing and spreading the idea of limited government and free markets, plus a host of others trying to translate ideas into action. The same contrast is true of publications. FEE's *Freeman* was the only one he or we can think of that was promoting the ideas of freedom 30 to 40 years ago. Today numerous publications promote these ideas, though with great differences in specific areas: *The Freeman*, *National Review*, *Human Events*, *The American Spectator*, *Policy Review*, and *Reason*. Even the *New Republic* and *The Nation* are no longer the undeviating proponents of socialist orthodoxy that they were three decades ago.

Why this great shift in public attitudes? The persuasive power of such books as Friedrich Hayek's *Road to Serfdom*, Ayn Rand's *Fountainhead* and *Atlas Shrugged*, our own *Capitalism and Freedom*, and numerous others led people to think about the problem in a different way and to become aware that government failure was as real as market failure. Nevertheless, we conjecture that the extraordinary force of experience was the major reason for the change.

Experience turned the great hopes that the collectivists and socialists had placed in Russia and China to ashes. Indeed, the only hope in those countries comes from recent moves toward the free market. Similarly experience dampened, to put it mildly, the extravagant hopes placed in Fabian socialism and the welfare state in Britain and in the New Deal in the United States. One major government program after another, each started with the best of intentions, resulted in more problems than solutions.

Few today still regard nationalization of enterprises as a way to promote more efficient production. Few still believe that every social problem can be solved by throwing government (that is, taxpayer) money at it. In these areas liberal ideas—in the original nineteenth-century meaning of liberal—have won the battle. The neoconservatives are correct in defining themselves as (modern) liberals mugged by reality. They still retain many of their earlier values but have been driven to recognize that they cannot achieve them through government.

In this country the Vietnam War helped to undermine belief in the beneficence of government. And most of all, as Dicey predicted nearly 75 years ago, the rising burden of taxation caused the general public to react against the growth of government and its spreading influence.¹⁴

In both the United States and Britain respect for the law declined in the twentieth century under the impact of the widening scope of government, strongly reinforced in the United States by Prohibition. The growing range of favors governments could give led to a steady increase in what economists have come to call rent-seeking and what the public refers to as special-interest lobbying.

Worldwide the contrast between the stagnation of those poorer countries that engaged in central planning (India, the former African colonies, Central American countries) and the rapid progress of the few that followed a largely free-market policy (notably the Four Tigers of the Far East: Hong Kong, Singapore, Taiwan, and South Korea) strongly reinforced the experience of the advanced countries of the West.

Ideas played a significant part, as in earlier episodes, less by persuading the public than by keeping options open, providing alternative policies to adopt when changes had to be made.

As in the two earlier waves, practice has lagged far behind ideas, so that both Britain and the United States are further from the ideal of a free society than they were 30 to 40 years ago in almost every dimension. In 1950 spending by U.S. federal, state, and local governments was 25 percent of national income; in 1985 it was 44 percent. In the past 30 years a host of new government agencies has been created: a Department of Education, a National Endowment for the Arts and another for the humanities, EPA, OSHA, and so on. Civil servants in these and many additional agencies decide for us what is in our best interest.

Nonetheless, practice has started to change. The catalytic crisis sparking the change was, we believe, the worldwide wave of inflation during the 1970s, originating in excessively expansive monetary growth in the United States in the 1960s. That episode was catalytic in two respects: first, stagflation destroyed the credibility of Keynesian monetary and fiscal policy and hence of the government's capacity to fine-tune the economy; second, it brought into play Dicey's "weight of taxation" through bracket creep and the implicit repudiation of government debt.

Already in the 1970s military conscription was terminated, airlines deregulated, and regulation Q, which limited the interest rates that banks could pay on deposits, eliminated. In 1982 the Civil Aeronautics Board that regulated the airlines was eliminated. Though government spending as a fraction of national income has continued to rise, the rate of increase has slowed. No major new spending programs have been passed since 1981. The increase in nonmilitary government spending has been predominantly the effect of earlier programs.

As in earlier waves, the tides of both opinion and practice have swept worldwide. Britain went further in the direction of collectivism than the

United States and still remains more collectivist—with both a higher ratio of government spending to national income and far more extensive nationalization of industry. Yet Britain has made more progress under Margaret Thatcher than the United States has under Ronald Reagan.

Equally impressive are changes in the communist world. Even there it was impossible to repress all counter-currents, as Solzhenitsyn, Sakharov, and many other brave men and women so eloquently testify. But beyond the counter-currents, the economic reforms in Hungary, Solidarity in Poland, the widened resort to markets in China, the current reformist talk in the Soviet Union—these owe as much to the force of events and the options kept open by intellectual ideas as do the election of Margaret Thatcher and Ronald Reagan in the West. True, it is doubtful that such reforms will be permitted to go far enough to threaten the power of the current political elite. But that does not lessen their value as testimony to the power of ideas.

One interesting and instructive phenomenon is that freeing the market has been equally or more vigorously pursued under ostensibly left-wing governments as under ostensibly right-wing governments. Communist countries aside, one striking example is the U-turn in French policy effected by Mitterrand, a lifelong socialist. In Australia a Labour government replaced a conservative government and then moved sharply to widen the role of the market. New Zealand, under a Labour government headed by David Lange, first elected in 1984 and reelected in 1987, has gone further than any other country in dismantling government controls and economic intervention.

By contrast, Germany, though it owed its dramatic post-World War II recovery to the free-market policies of Ludwig Erhard, has steadily moved away from those policies first under a Social Democratic government and, more recently, under conservative governments. Can the explanation for this aberration be that the dramatic move to free-market policies was primarily the result of one man's (Erhard's) actions and not of a change in public opinion?

All in all the force of ideas, propelled by the pressure of events, is clearly no respecter of geography or ideology or party label.

Conclusion

We have surveyed briefly two completed pairs of tides in the climate of opinion and the "affairs of men" and one pair still in progress. Each tide lasted between 50 and 100 years. First came the tide in the climate of public opinion: toward free markets and laissez-faire from, say, 1776 to 1883 in Britain, 1776 to 1885 in the United States; toward collectivism from 1883 to 1950 in Britain, from 1885 to 1970 in the United States. Some decades later

came the tide in the "affairs of men": toward laissez-faire from, say, 1820 to 1900 in Britain, 1840 to 1930 in the United States; toward collectivism from, say, 1900 to 1978 in Britain, 1930 to 1980 in the United States. Needless to say, these are only the roughest of dates. They could easily be set a decade or so earlier or later.

Two new pairs of tides are now in their rising phases: in public opinion, toward renewed reliance on markets and more limited government, beginning in about 1950 in Britain and 1970 in the United States; in public policy, beginning in 1978 in Britain and 1980 in the United States, and even more recently in other countries.

If the completed tides are any guide, the current wave in opinion is approaching middle age and in public policy is still in its infancy. Both are therefore still rising and the flood stage, certainly in affairs, is yet to come.

For those who believe in a free society and a narrowly limited role for government, that is reason for optimism. But it is not a reason for complacency. Nothing is inevitable about the course of history—however it may appear in retrospect. "Because we live in a largely free society, we tend to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom: the typical state of mankind is tyranny, servitude, and misery."¹⁵

The encouraging tide in affairs that is in its infancy can still be aborted, can be overwhelmed by a renewed tide of collectivism. The expanded role of government even in Western societies that pride themselves in being part of the free world has created many vested interests that will strongly resist the loss of privileges that they have come to regard as their right. Everyone is capable of believing that what is good for oneself is good for the country and therefore of justifying a special exception to a general rule that we all profess to favor.

Yet the lesson of the two earlier waves is clear: once a tide in opinion or in affairs is strongly set, it tends to overwhelm counter-currents and to keep going for a long time in the same direction. The tides are capable of ignoring geography, political labels, and other hindrances to their continuance. Yet it is also worth recalling that their very success tends to create conditions that may ultimately reverse them.

Notes

1. A British constitutional-law scholar has written the most insightful book on the subject: A. V. Dicey, *Lectures on the Relation Between Law and Public Opinion in England During the Nineteenth Century*, 2d ed. (London: Macmillan, 1914).

2. Milton Friedman and Rose D. Friedman, *Free to Choose* (New York and London: Harcourt Brace Jovanovich, 1980), p. 283.

3. Adam Smith, *The Wealth of Nations*, Cannan 5th ed. (London: Methuen, 1930), bk. 4, chap. 2, p. 435.
4. J. M. Keynes, *Economic Consequences of the Peace* (London: Macmillan, 1919), pp. 6, 7, 9.
5. See Friedman and Friedman, *Free to Choose*, pp. 59, 61–62.
6. Dicey, *Law and Public Opinion*, p. 245.
7. A. W. Coats, "The American Economics Association and the Economics Profession," *Journal of Economic Literature* 23 (December 1985): 1702.
8. Dicey, *Law and Public Opinion*, pp. 257–58.
9. *Ibid.*, pp. xxxi, xxxii, xxxiii, li.
10. *Encyclopaedia Britannica*, 1970 ed., s.v. "Brandeis, Louis Dembitz."
11. Friedman and Friedman, *Free to Choose*, p. 196.
12. *Ibid.*, pp. 286, 287.
13. This section is based partly on Milton Friedman, "Where Are We on the Road to Liberty?" *Reason* 19, no. 2 (June 1987): 31–33.
14. "[I]f the progress of socialistic legislation be arrested, the check will be due, not so much to the influence of any thinker as to some patent fact which shall command public attention; such, for instance, as that increase in the weight of taxation which is apparently the usual, if not the invariable, concomitant of a socialistic policy" (Dicey, *Law and Public Opinion*, p. 302n).
15. Milton Friedman, with the assistance of Rose D. Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), p. 9.

THOMAS SOWELL

Preferential Policies

An International Perspective

♦ Preferential policies are not unique to the United States or to our times. There are preferences favoring Muslims in the Philippines, Lulus in Zaire, Central Asians in the USSR, Sinhalese in Sri Lanka, Maoris in New Zealand, Sephardim in Israel, Malays in Malaysia, and a long list of local and national groups in India—among many others in countries around the world.

Some countries have had such policies longer and have carried them further than the United States, while still others are following in our wake, watching what we do and how it turns out. Seeing the rationales and consequences of preferential policies in other societies may also help us to understand the logic of American efforts in this area, and how the outcomes here look against the background of international patterns.

Definitions

Preferential policies are defined here as *all* government-imposed group preferences, whether or not in the specific form of a quota, and whether imposed through legislative, executive, or judicial processes. Preferential policies are therefore distinguished from purely individual preferences, lacking the force of law. Preferential policies are also distinguished from policies mandating equal treatment of individuals, though these mutually contradictory policies are often lumped together in the United States under the general heading of "civil rights." The hope that one set of policies will eventu-