

Minnowbrook III Concept Paper
Beyond Milton Friedman: Let's Find and Define the New Political Economy

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Immediately after World War II, Milton Friedman led a wholesale strategy of political economy to undo the New Deal. Aided by the University of Chicago school of thought, this group successfully lobbied to change law and policy based on Friedman's arguments for: 1) an individual's freedom of choice to maximize utility; 2) a nation's measure of success as national wealth based on utility its individual members value; and 3) limited government to establish and protect free markets as the best means possible for rational, self-interested individuals to maximize aggregate wealth.¹ This frame does not include the interests of society, as a collective entity, in the commons or public good; it excluded anything not reducible to economic value.

Frances Moore Lappe confronted Friedman on a stage before an audience of UC Berkeley students years ago.² After he did his bit, she provided a simple rebuttal. His unregulated free market system concentrates wealth in a few hands, shrinking the number of people who have economic power to exercise freedom of choice to maximize utility that its individual members themselves value. Therefore, government must regulate the market and decentralize power to distribute that freedom of choice most broadly in order to maximize utility.

However, adherents of Friedman's economic philosophy captured public agencies using the theory of the New Public Management, through which administrative agencies reoriented to operate like businesses, responding to economic incentives and pressures to achieve economic

¹ For a brief history, see President Larry Kramer's Memorandum to the William and Flora Hewlett Foundation Board of Directors, <https://hewlett.org/wp-content/uploads/2018/04/Beyond-Neoliberalism-Public-Board-Memo.pdf>. The Hewlett Foundation funded the field of conflict resolution for 18 years (1986-2004).

² Frances Moore Lappe and Adam Eichen, *Daring Democracy: Igniting Power, Meaning, and Connection for the America We Want*, Chapter 1 (Boston, MA: Beacon Press, 2017). Lappe also authored *Diet for a Small Planet* (New York, NY: Ballantine Books, 1971).

efficiency, charging fees to generate revenue to support operations, and privatizing public operations by increasingly contracting agency work out to the private sector. Agencies also defined, measured, and reported agency success primarily in terms of quantitative variables and data related to economic efficiency.

In the 1970's, soon-to-be Supreme Court Associate Justice Lewis Powell led the U.S. Chamber of Commerce to move from being a bi-partisan policy group to a sharply right-wing lobbying entity working to change the laws and rules underpinning our democracy to favor corporate influence and power.³ It also actively and successfully sought Supreme Court appointees to support this agenda. It (re-)created the Gilded Age's extreme income inequality in the U.S. and allowed the few to accumulate the great majority of wealth generated through less regulated capitalism. It also demonized government (see claims of a 'deep state'). Political scientists have proven that the current average U.S. citizen has no impact on what Congress adopts as policy; elites and corporate interest groups have all the influence.⁴

Recent leading philosophers write and teach about the role of justice in shaping society. Amartya Sen argues for defining justice in terms of “the lives that people manage – or do not manage - to live,” or “a realized actuality.”⁵ He rejects defining justice as the design of supposedly ideal social arrangements and institutions like those shaped by Friedman's theories. Michael Sandel describes three historic approaches to justice (paraphrased here): 1) maximizing utility or welfare (utilitarian, or the greatest happiness for the greatest number); 2) respecting freedom of choice, either libertarian (the actual choices people make in a free market) or liberal egalitarian (hypothetical choices people would make in an original position of equality); and 3)

³ Lappe and Eichen, Chapter 3.

⁴ Martin Gilens and Benjamin I. Page (2014), Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens, *Perspectives on Politics* Vol. 12(3): 564-581, <https://doi.org/10.1017/S1537592714001595>.

⁵ Amartya Sen, *The Idea of Justice*, 18 (Cambridge, MA: Belknap Press, 2009).

his view, another way, which is *cultivating virtue and reasoning about the common good*.⁶ Both scholars have conceptions of justice that incorporate people's voice, as in democracy.

In the past decade, public administration as a field has returned to discussing public values as playing an important role in public management. Larry Kramer, President of the William and Flora Hewlett Foundation, issued a call for action in his recent memo to the Foundation's Board of Directors, in which he described how Milton Friedman's ideas took over public administration and policy:

We can agree, as I think we must, that unbridled market competition is not going to solve these problems and may be making them worse. We can also agree that 20th century models of public management are equally unsatisfactory, not to mention politically infeasible. So, what does an alternative vision of political economy look like? How should government and markets interact in today's economy to produce prosperity with a fair distribution of wealth and opportunities? What are the appropriate terms of a 21st-century social contract? These are questions that still need to be answered.

Kramer's memo mentions the words collaboration and cooperation several times, without citation to public administration or other literature. He also mentions public managers....

Kramer has laid down the gauntlet. We need to take up his challenge at Minnowbrook III. This means defining administrative agency success in new terms and establishing new measures for a different kind of performance. It means returning to a different political economist: Elinor Ostrom and her body of work on managing common pool resources, institutional design, and collaboration in governance.⁷ What do public managers and administrators owe the public in a new 21st century social contract? How do we move public administration beyond Milton Friedman?

⁶ Michael J. Sandel, *Justice: What's the Right Thing to Do*, 260 (New York, NY: Farrar, Straus, and Giroux, 2009). Sandel concludes, "A just society can't be achieved simply by maximizing utility or by securing freedom of choice. To achieve a just society, we must reason together about the meaning of the good life, and to create a public culture hospitable to the disagreements that will inevitably arise." *Id.* at 261.

⁷ Elinor Ostrom, *Understanding Institutional Diversity*. (Princeton, NJ: Princeton University Press, 2005)