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Milton Friedman

Ryan Irwin
University at Albany, State University of New York, rirwin@albany.edu

Friedman, Milton (1912-2006) was an educator with unusual influence in American policymaking circles during the late twentieth century. The son of Jewish dry goods merchants, he was born in New York and grew up in New Jersey. Friedman hoped to become an actuary, but his undergraduate mentors at Rutgers University nudged him instead toward the emerging field of economics and, after attaining an MA from the University of Chicago in 1933, he joined Franklin Roosevelt's New Deal, bouncing between several government agencies during the 1930s and 1940s. As a mid-level bureaucrat, he became interested in the nature of income and eventually submitted a PhD thesis on the topic to Columbia University in 1946. Shortly thereafter, he took a teaching position at the University of Chicago, where he spent three decades training students, networking with like-minded economists, and writing scholarly tomes about the monetary dimensions of U.S. economic policy. His efforts resulted in a Nobel Prize in Economic Science in 1976. The following year he and his wife, an esteemed economist in her own right, retired to San Francisco. As an affiliate of Stanford University's Hoover Institution, Friedman collaborated with the nearby Federal Reserve Bank and popularized his ideas about the money supply on Public Broadcast Television (PBS). Throughout the 1980s, he served on President Ronald Reagan's Economic Policy Advisory Board. Until his death in 2006, Friedman wrote columns and advised leaders around the world.

What accounts for Friedman's success? Most obviously, he changed the way scholars understand economic recessions. When he began his career, the prevailing view among economists was that economic downturns resulted from unregulated markets, which, according to Alfred Maynard Keynes, were incubators for under-employment, under-investment, and instability. In a series of articles and books, Friedman rejected Keynes's ideas about employment, consumption, and wages. Economic downtowns, he argued, grew not from markets but from the supply of money in the economy. Friedman's most popular book, *A Monetary History of the United States, 1867-1960*, co-written with Anna Schwartz, explored the historical relationship between the United States' economic fluctuations and the country's money supply. On the basis of his findings, Friedman elaborated what would become his signature policy insight: both consumption and output could be maintained if governments regulated the growth rate of an economy's monetary base. This argument was not new, it stemmed from a school of thought known as monetarism, but Friedman substantiated his ideas using novel statistical methods and coupled his conclusions with colorful attacks on Keynesianism, specifically the premise that government investment and spending effected employment and output positively. Government, in his mind, was the barrier, not the lubricant, of economic prosperity.

Friedman's ideas did not find an audience in Washington, DC until after his retirement. During his academic career, he toiled mostly at the periphery of the economic profession, cultivating an energetic community of monetarists in Chicago that lived in the shadow of their Keynesian colleagues from Harvard University and the Massachusetts Institute of Technology. Everything changed after the Vietnam

War, when government investment and spending failed to stem the rise of unemployment and inflation. Friedman's 1976 Nobel Prize came for his theoretical writings about the natural rate of unemployment, but policymakers flocked to him in these years because he correctly predicted the arrival of stagflation, and his views on inflation, specifically his suggestion that the Federal Reserve could remedy the situation by preventing fluctuations in the U.S. money supply, helped organize Paul Volcker's approach as chairman of the Federal Reserve during the late 1970s and 1980s. In retirement, Friedman produced a ten-part PBS television series, wrote a general-interest book, *Right to Choose*, and traveled widely in Asia and Europe, proselytizing deregulation, lower tax rates, privatization, and monetarism. By the time of his death, he was arguably the intellectual lodestar of modern economic conservatism in the United States.

Today, Friedman's legacy is contested along predictable lines. Even his staunchest critics recognize that his predictions about stagflation represent one of the great intellectual achievements of postwar economics. However, liberals mostly reject Friedman's wider conclusions about Keynesianism, and many see the boom of 1982-1990, which overlapped with Friedman's time on the Economic Policy Advisory Board, as the result of government spending and lower taxes, making it a prototypical example of an expansionary budget deficit, fully in line with Keynes' general theories. Moreover, among younger conservatives, the nuances of Friedman's ideas are occasionally lost, specifically monetarism's role in preventing economic downturns. Unlike Friedrich Hayek, Friedman promoted active, albeit constrained government. Regardless, Friedman gave depth and substance to the conservative movement after World War II.

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