Milton Friedman

**Milton Friedman**

Chicago School of Economics

| Born       | July 31, 1912  
Brooklyn, New York |
|---|---|
| Died      | November 16, 2006 (aged 94)  
San Francisco, California |
| Nationality | American |
| Institution | Hoover Institution (1977–2006)  
University of Chicago (1946–77)  
NBER (1937–40) |
| Field     | Economics |
| Alma mater | Columbia University (Ph.D.), 1946, University of Chicago (M.A.), 1933  
Rutgers University (B.A.), (1932) |
| Opposed  | John Maynard Keynes, John Kenneth Galbraith, Murray Rothbard |
| Influenced  | David D. Friedman, Anna J. Schwartz, Ben Bernanke, Gary Becker, Thomas Sowell, Harry Markowitz, Chicago Boys, William F. Buckley, Jr., Cato Institute |
| Contributions  | Price theory, Monetarism, applied macroeconomics, floating exchange rates, volunteer military, Permanent income hypothesis, Friedman test |
| Awards  | John Bates Clark Medal (1951)  
Nobel Memorial Prize in Economics (1976)  
Presidential Medal of Freedom (1988)  
National Medal of Science (1988) |

Milton Friedman (July 31, 1912 – November 16, 2006) was an American economist, statistician, academic, and author who taught at the University of Chicago for more than three decades. He was a recipient of the Nobel Memorial Prize in Economic Sciences.

Among scholars, he is best known for his theoretical and empirical research, especially consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy. He was an economic advisor to U.S. President Ronald Reagan. Over time, many governments practiced his restatement of a political philosophy that extolled the virtues of a free market economic system with little intervention by government. As a leader of the Chicago school of economics, based at the University of Chicago, he had great influence in determining the research agenda of the entire profession. Milton Friedman's works, which include many
monographs, books, scholarly articles, papers, magazine columns, television programs, videos, and lectures, cover a broad range of topics of microeconomics, macroeconomics, economic history, and public policy issues. The Economist described him as "the most influential economist of the second half of the 20th century... possibly of all of it."[2]

Friedman was originally a Keynesian, and even late in life said he favored some aspects of the New Deal such as "providing relief for the unemployed, providing jobs for the unemployed, and motivating the economy to expand... an expansive monetary policy"; however, he never advocated wage and price controls.[3] His challenges to what he later called "naive Keynesian" (as opposed to New Keynesian) theory began with his 1950s reinterpretation of the consumption function. At the University of Chicago, Friedman became the main advocate opposing activist Keynesian government policies; he has been characterized as "the leader of the first recognized counterrevolution against Keynesianism",[4] although even in the late-1960s he described his own approach (along with all of mainstream economics) as still wedded to the "Keynesian language and apparatus" albeit rejecting its "initial" conclusions.[5] During the 1960s he promoted an alternative macroeconomic policy known as "monetarism". He theorized there existed a "natural" rate of unemployment, and argued that governments could increase employment above this rate (e.g., by increasing aggregate demand) only at the risk of causing inflation to accelerate.[6] He argued that the Phillips Curve was not stable and predicted what would come to be known as stagflation.[7]

In Friedman's claim that monetary policy could have prevented the Great Depression he was in agreement with Keynes. [8] Though opposed to the existence of the Federal Reserve, Friedman argued that, given that it does exist, a steady, small expansion of the money supply was the only wise policy, and he warned against efforts by a treasury or central bank to do otherwise.[9]

Influenced by his close friend George Stigler, Friedman opposed government regulation of many types. He once stated that his role in eliminating U.S. conscription was his proudest accomplishment, and his support for school choice led him to found The Friedman Foundation for Educational Choice. Friedman's political philosophy, which he considered classically liberal and libertarian, emphasized the advantages of free market economics and the disadvantages of government intervention and regulation, strongly influencing the opinions of American conservatives and libertarians. In his 1962 book Capitalism and Freedom, Friedman advocated policies such as a volunteer military, freely floating exchange rates, abolition of medical licenses, a negative income tax, and education vouchers.[10] His books and essays were widely read, and his words had both underground and overt influence in Communist countries.[11] [12] [13] [14]

Most economists during the 1960s rejected Friedman's economic views, but since then they have had an increasing international influence. Some of his laissez-faire ideas concerning monetary policy, taxation, privatization and deregulation were used by governments, especially during the 1980s. A combination of his monetary theory in regard to credit and Keynes's belief in deficit spending to stimulate growth has influenced economists such as Ben Bernanke and the Federal Reserve's response to the financial crisis of 2007–10.[15] [16]

Early life

Friedman was born in Brooklyn, New York, to recent Jewish immigrants Jenő Friedman and Sára Landau from Beregszász in Hungary (now Berehove, part of Ukraine), both of whom worked as dry goods merchants. Shortly after Milton's birth, the family relocated to Rahway, New Jersey. A talented student, Friedman graduated from Rahway High School in 1928, just before his 16th birthday.[17]

Friedman graduated from Rutgers University in New Jersey, where he specialized in mathematics and initially intended to become an actuary. During his time at Rutgers, Friedman became influenced by two economics professors, Arthur F. Burns and Homer Jones, who convinced him that modern economics could help end the Great Depression. Friedman did graduate work at the University of Chicago, earning an M.A. in 1933. He was strongly influenced by Jacob Viner, Frank Knight, and Henry Simons. It was at Chicago that Friedman met his future wife, economist Rose Director. During 1933–34 he had a fellowship at Columbia University, where he studied statistics
with renowned statistician and economist Harold Hotelling. He was back in Chicago for 1934–35, spending the year working as a research assistant for Henry Schultz, who was then working on *Theory and Measurement of Demand*. That year, Friedman formed what would prove to be lifelong friendships with George Stigler and W. Allen Wallis.

**Public service**

Friedman was initially unable to find academic employment, so during 1935, he followed his friend W. Allen Wallis to Washington, where Franklin D. Roosevelt's New Deal was "a lifesaver" for many young economists.[18] At this stage, Friedman said that he and his wife "regarded the job-creation programs such as the WPA, CCC, and PWA appropriate responses to the critical situation," but not "the price- and wage-fixing measures of the National Recovery Administration and the Agricultural Adjustment Administration."[19] Foreshadowing his later ideas, he believed price controls interfered with an essential signaling mechanism to help resources be used where they were most valued. Indeed, Friedman later concluded that all government intervention associated with the New Deal was "the wrong cure for the wrong disease," arguing that the money supply should simply have been expanded, instead of contracted.[20] In the publication *Monetary History of the United States* by Friedman and Anna Schwartz, they argue that the Great Depression was caused by monetary contraction, which was the consequence of poor policymaking by the Federal reserve and the continuous crises of the banking system.[21]

During 1935, he began work for the National Resources Committee, which was then working on a large consumer budget survey. Ideas from this project later became a part of his *Theory of the Consumption Function*. Friedman began employment with the National Bureau of Economic Research during autumn 1937 to assist Simon Kuznets in his work on professional income. This work resulted in their jointly authored publication *Incomes from Independent Professional Practice*, which introduced the concepts of permanent and transitory income, a major component of the Permanent Income Hypothesis that Friedman worked out in greater detail in the 1950s. The book hypothesizes that professional licensing artificially restricts the supply of services and raises prices.

During 1940, Friedman was appointed an assistant professor teaching Economics at the University of Wisconsin–Madison, but encountered antisemitism in the Economics department and decided to return to government service.[22] [23] Friedman spent 1941–43 working on wartime tax policy for the Federal Government, as an advisor to senior officials of the United States Department of the Treasury. As a Treasury spokesman during 1942 he advocated a Keynesian policy of taxation, and during this time he helped to invent the payroll withholding tax system.[24] He later said in an interview, "I have no apologies for it, but I really wish we hadn't found it necessary and I wish there were some way of abolishing withholding now."[25] As Friedman grew older he reversed himself; during 2006 he observed, "You know, it's a mystery as to why people think Roosevelt's policies pulled us out of the Depression. The problem was that you had unemployed machines and unemployed people. How do you get them together by forming industrial cartels and keeping prices and wages up?"[26]

**Academic career**

**Early years**

During 1943, Friedman joined the Division of War Research at Columbia University (headed by W. Allen Wallis and Harold Hotelling), where he spent the rest of the war years working as a mathematical statistician, focusing on problems of weapons design, military tactics, and metallurgical experiments. Then during 1945, Friedman submitted *Incomes from Independent Professional Practice* (co-authored with Kuznets and completed during 1940) to Columbia as his doctoral dissertation. The university awarded him a Ph.D. during 1946. Friedman spent the 1945–46 academic year teaching at the University of Minnesota (where his friend George Stigler was employed). On February 12, 1945, his son, David D. Friedman was born.
University of Chicago

During 1946, Friedman accepted an offer to teach economic theory at the University of Chicago (a position opened by departure of his former professor Jacob Viner to Princeton University). Friedman would work for the University of Chicago for the next 30 years. There he helped build an intellectual community that produced a number of Nobel Prize winners, known collectively as the Chicago School of Economics.

At that time, Arthur Burns, who was then the head of the National Bureau of Economic Research, asked Friedman to rejoin the Bureau's staff. He accepted the invitation, and assumed responsibility for the Bureau's inquiry into the role of money in the business cycle. As a result, he initiated the "Workshop in Money and Banking" (the "Chicago Workshop"), which promoted a revival of monetary studies. During the latter half of the 1940s, Friedman began a collaboration with Anna Schwartz, an economic historian at the Bureau, that would ultimately result in the 1963 publication of a book co-authored by Friedman and Schwartz, *A Monetary History of the United States, 1867–1960*.

Friedman spent the 1954–55 academic year as a Fulbright Visiting Fellow at Gonville and Caius College, Cambridge. At the time, the Cambridge economics faculty was divided into a Keynesian majority (including Joan Robinson and Richard Kahn) and an anti-Keynesian minority (headed by Dennis Robertson). Friedman speculates that he was invited to the fellowship because his views were unacceptable to both of the Cambridge factions. Later his weekly columns for *Newsweek* magazine (1966–84) were well read and increasingly influential among political and business people.[27]

Friedman was an economic adviser to Republican presidential candidate Barry Goldwater during 1964.

Nobel memorial prize and retirement

In 1976 Friedman won the Nobel Memorial Prize in Economics "for his achievements in the fields of consumption analysis, monetary history and theory and for his demonstration of the complexity of stabilization policy."[1] During the banquet speech he made a reference to "the Prize in Economic Sciences in Memory of Alfred Nobel". In that he was the first recipient to do so, and it wasn't until 2006 that a recipient of the prize called it by its proper name.[28] During 1977, at age 65, Friedman retired from the University of Chicago after teaching there for 30 years. He and his wife moved to San Francisco. From 1977 on, he was affiliated with the Hoover Institution at Stanford University. During the same year, Friedman was approached by the Free To Choose Network[29] and asked to create a television program presenting his economic and social philosophy. The Friedmans worked on this project for the next three years, and during 1980, the ten-part series, titled *Free to Choose*, was broadcast by the Public Broadcasting Service (PBS). The companion book to the series (co-authored by Milton and his wife, Rose Friedman), also titled *Free To Choose*, was the bestselling nonfiction book of 1980 and has since been translated into 14 foreign languages.

Friedman served as an unofficial adviser to Ronald Reagan during his 1980 presidential campaign, and then served on the President's Economic Policy Advisory Board for the rest of the Reagan Administration. During 1988, he received the National Medal of Science and Reagan honored him with the Presidential Medal of Freedom. Milton Friedman is known now as one of the most influential economists of the 20th century.[30] [31] Throughout the 1980s and 1990s, Friedman continued to write editorials and appear on television. He made several visits to Eastern Europe and to China, where he also advised governments.
Scholarly contributions

Economics

Friedman was best known for reviving interest in the money supply as a determinant of the nominal value of output, that is, the quantity theory of money. Monetarism is the set of views associated with modern quantity theory. Its origins can be traced back to the 16th-century School of Salamanca or even further but Friedman's contribution is largely responsible for its modern popularization. He co-authored, with Anna Schwartz, *A Monetary History of the United States* (1963), which was an examination of the role of the money supply and economic activity in U.S. history. A striking conclusion of their research was one regarding the role of money supply fluctuations as contributing to economic fluctuations. Several regression studies with David Meiselman during the 1960s suggested the primacy of the money supply over investment and government spending in determining consumption and output. These challenged a prevailing but largely untested view on their relative importance. Friedman's empirical research and some theory supported the conclusion that the short-run effect of a change of the money supply was primarily on output but that the longer-run effect was primarily on the price level.

Friedman was the main proponent of the monetarist school of economics. He maintained that there is a close and stable association between price inflation and the money supply, mainly that price inflation should be regulated with monetary deflation and price deflation with monetary inflation. He famously quipped that price deflation can be fought by "dropping money out of a helicopter."[32]

Friedman's arguments were designed to counter popular claims that price inflation at the time was the result of increases in the price of oil, or increases in wages: as he wrote,

> Inflation is always and everywhere a monetary phenomenon.


Friedman rejected the use of fiscal policy as a tool of demand management; and he held that the government's role in the guidance of the economy should be restricted severely. Friedman wrote extensively on the Great Depression, which he termed the Great Contraction, arguing that it had been caused by an ordinary financial shock whose duration and seriousness were greatly increased by the subsequent contraction of the money supply caused by the misguided policies of the directors of the Federal Reserve.

> The Fed was largely responsible for converting what might have been a garden-variety recession, although perhaps a fairly severe one, into a major catastrophe. Instead of using its powers to offset the depression, it presided over a decline in the quantity of money by one-third from 1929 to 1933 ... Far from the depression being a failure of the free-enterprise system, it was a tragic failure of government.

—Milton Friedman, Two Lucky People, 233

Friedman also argued for the cessation of government intervention in currency markets, thereby spawning an enormous literature on the subject, as well as promoting the practice of freely floating exchange rates. His close friend George Stigler explained, "As is customary in science, he did not win a full victory, in part because research was directed along different lines by the theory of rational expectations, a newer approach developed by Robert Lucas, also at the University of Chicago."[34]

Friedman was also known for his work on the consumption function, the permanent income hypothesis (1957), which Friedman himself referred to as his best scientific work.[35] This work contended that rational consumers would spend a proportional amount of what they perceived to be their permanent income. Windfall gains would mostly be saved. Tax reductions likewise, as rational consumers would predict that taxes would have to increase later to balance public finances. Other important contributions include his critique of the Phillips curve and the concept of the natural rate of unemployment (1968). This critique associated his name, together with that of Edmund Phelps, with the insight that a government that brings about greater inflation cannot permanently reduce unemployment by doing so. Unemployment may be temporarily lower, if the inflation is a surprise, but in the long run unemployment
will be determined by the frictions and imperfections of the labor market.

Friedman's essay "The Methodology of Positive Economics" (1953) provided the epistemological pattern for his own subsequent research and to a degree that of the Chicago School of Economics. There he argued that economics as science should be free of value judgments for it to be objective. Moreover, a useful economic theory should be judged not by its descriptive realism but by its simplicity and fruitfulness as an engine of prediction.

Statistics

One of his most famous contributions to statistics is sequential sampling. "Friedman did statistical work at the Division of War Research at Columbia. He and his colleagues came up with a sampling technique, known as sequential sampling, which became, in the words of The New Palgrave Dictionary of Economics, 'the standard analysis of quality control inspection.' The dictionary adds: 'Like many of Friedman's contributions, in retrospect it seems remarkably simple and obvious to apply basic economic ideas to quality control; that however is a measure of his genius."

Other work

Friedman was an important member of the team during World War II that developed a new proximity fuse for anti-aircraft projectiles, which prevented shells from exploding unless they were near the object they are meant to destroy.

Public policy positions

Federal reserve

Friedman believed that if the money supply was to be centrally controlled (as by the Federal Reserve) that the preferable way to do it would be with a mechanical system that would keep the quantity of money increasing at a steady rate. However, instead of government involvement at all, he was open to a "real," non-government, gold standard where money is produced by the private market: "A real gold standard is thoroughly consistent with [classical] liberal principles and I, for one, am entirely in favor of measures promoting its development." He did however add this caveat, "Let me emphasize that this note is not a plea for a return to a gold standard.... I regard a return to a gold standard as neither desirable nor feasible—with the one exception that it might become feasible if the doomsday predictions of hyperinflation under our present system should prove correct." He said the reason that it was not feasible was because "there is essentially no government in the world that is willing to surrender control over its domestic monetary policy," however it could be done if "you could re-establish a world in which government's budget accounted for 10 percent of the national income, in which laissez-faire reigned, in which governments did not interfere with economic activities and in which full employment policies had been relegated to the dustbin...."

He was critical of the Federal Reserve's influence on the economics profession. In a 1993 letter to University of Texas economics professor and former House Banking Committee investigator Robert Auerbach, Friedman wrote:

I cannot disagree with you that having something like 500 economists is extremely unhealthy. As you say, it is not conducive to independent, objective research. You and I know there has been censorship of the material published. Equally important, the location of the economists in the Federal Reserve has had a significant influence on the kind of research they do, biasing that research toward noncontroversial technical papers on method as opposed to substantive papers on policy and results."
School choice

In his 1955 article "The Role of Government in Education" Friedman proposed supplementing publicly operated schools with privately run but publicly funded schools through a system of school vouchers. Reforms similar to those proposed in the article were implemented in, for example, Chile in 1981 and Sweden in 1992. In 1996 Friedman, together with his wife, founded the The Foundation for Educational Choice to advocate school choice and vouchers.

Conscription

Milton Friedman was a major proponent of a volunteer military, stating that the draft was "inconsistent with a free society." In Capitalism and Freedom, he argued that conscription is inequitable and arbitrary, preventing young men to shape their lives as they see fit. During the Nixon administration he headed the committee to research a conversion to paid/volunteer armed force. He would later state that his role in eliminating the conscription in the United States was his proudest accomplishment. Friedman did, however, believe a nation could compel military training as a reserve in case of war time.

Liberalism and the republican party

He served as a member of President Reagan's Economic Policy Advisory Board during 1981. During 1988, he received the Presidential Medal of Freedom and the National Medal of Science. He said that he was a libertarian philosophically, but a member of the U.S. Republican Party for the sake of "expediency" ("I am a libertarian with a small 'l' and a Republican with a capital 'R.' And I am a Republican with a capital 'R' on grounds of expediency, not on principle.") But, he said, "I think the term classical liberal is also equally applicable. I don't really care very much what I'm called. I'm much more interested in having people thinking about the ideas, rather than the person."

Public goods and monopoly

Friedman was supportive of the state provision of some public goods that private businesses are not considered as being able to provide. However, he argued that many of the services performed by government could be performed better by the private sector. Above all, if some public goods are provided by the state, he believed that they should not be a legal monopoly where private competition is prohibited; for example, he wrote:

There is no way to justify our present public monopoly of the post office. It may be argued that the carrying of mail is a technical monopoly and that a government monopoly is the least of evils. Along these lines, one could perhaps justify a government post office, but not the present law, which makes it illegal for anybody else to carry the mail. If the delivery of mail is a technical monopoly, no one else will be able to succeed in competition with the government. If it is not, there is no reason why the government should be engaged in it. The only way to find out is to leave other people free to enter.

—Milton Friedman, Friedman, Milton & Rose D. Capitalism and Freedom, University of Chicago Press, 1982, 29
Welfare

Friedman made newspaper headlines by proposing a negative income tax to replace the existing welfare system, and then opposing a bill to implement it because the bill merely proposed to supplement the existing system rather than replace it.

Drugs

Friedman also supported libertarian policies such as legalization of drugs and prostitution. During 2005, Friedman and more than 500 other economists advocated discussions regarding the economic benefits of the legalization of marijuana. [45]

Economic freedom

Michael Walker of the Fraser Institute and Friedman hosted a series of conferences from 1986 to 1994. The goal was to create a clear definition of economic freedom and a method for measuring it. Eventually this resulted in the first report on worldwide economic freedom, Economic Freedom in the World. This annual report has since provided data for numerous peer-reviewed studies and has influenced policy in several nations.

Along with sixteen other distinguished economists he opposed the Copyright Term Extension Act and filed an amicus brief in Eldred v. Ashcroft.[46] He supported the inclusion of the word "no-brainer" in the brief.[47] Friedman argued for stronger basic legal (constitutional) protection of economic rights and freedoms in order to further promote industrial-commercial growth and prosperity and buttress democracy and freedom and the rule of law generally in society.[48]

Honors, recognition, and influence

Friedman allowed the Cato Institute to use his name for its biannual Milton Friedman Prize for Advancing Liberty beginning in 2001. A Friedman Prize was given to the late British economist Peter Bauer during 2002, Peruvian economist Hernando de Soto during 2004, Mart Laar, former Estonian Prime Minister during 2006 and a young Venezuelan student Yon Goicoechea during 2008. His wife Rose, sister of Aaron Director, with whom he initiated the Friedman Foundation for Educational Choice, served on the international selection committee. Friedman was also a recipient of the Nobel Memorial Prize in Economic Sciences.

Hong Kong

Friedman once said, "If you want to see capitalism in action, go to Hong Kong."[49] He wrote in 1990 that the Hong Kong economy was perhaps the best example of a free market economy.[50]

One month before his death, he wrote the article "Hong Kong Wrong – What would Cowperthwaite say?" in the Wall Street Journal, criticizing Donald Tsang, Chief Executive of Hong Kong, for abandoning "positive noninterventionism."[51] Tsang later said he was merely changing the slogan to "big market, small government," where small government is defined as less than 20% of GDP. In a debate between Tsang and Alan Leong, rivals for the job of Chief Executive, Leong introduced the topic and jokingly accused Tsang of angering Friedman to death.

Chile

During 1975, two years after the military coup that ended the government of Salvador Allende, the economy of Chile experienced a crisis. Friedman accepted the invitation of a private foundation to visit Chile and speak on principles of economic freedom. He spent seven days in Chile giving a series of lectures. One of the lectures was entitled "The Fragility of Freedom," and according to Friedman, "dealt with precisely the threat to freedom from a centralized military government."[52] Friedman encapsulated his philosophy in a lecture at Universidad Católica de Chile, saying: "free markets would undermine political centralization and political control."[53]
Friedman also met with military dictator President Augusto Pinochet during his visit. He never served as an adviser to the Chilean government, but did write a letter to Pinochet outlining what Friedman considered the two key economic problems of Chile. The letter listed a series of monetary and fiscal measures deemed a "shock program" to end hyperinflation and promote a market economy.\[54\] His letter suggested (among other, more specific prescriptions) that a brief period of cutting government spending would reduce its fiscal deficit and thus reduce the rate of increase of the quantity of money in the country that was driving inflation. The economist did however admit his knowledge of Chile was "too limited to enable [him] to be precise or comprehensive" and that the measures he outlined were "to be taken as illustrative."\[54\] Friedman felt that there might be a brief period ("measured in months") of higher unemployment, followed by recovery once inflation was tamed. His letter also suggested that cutting spending to reduce the fiscal deficit would result in less transitional unemployment than raising taxes to do so. Later, Friedman said he believed that market reforms would undermine Pinochet.\[55\] Chilean graduates of the Chicago School of Economics and its new local chapters had been appointed to important positions in the new government soon after the coup, which allowed them to advise Pinochet on economic policies in accord with the School's economic doctrine.

According to his critics, Friedman did not criticize Pinochet's dictatorship at the time, nor the assassinations, illegal imprisonments, torture, or other atrocities that were well known by then.\[56\] In his 1980 documentary *Free to Choose*, he said the following: "Chile is not a politically free system, and I do not condone the system. But the people there are freer than the people in Communist societies because government plays a smaller role. ... The conditions of the people in the past few years has been getting better and not worse. They would be still better to get rid of the junta and to be able to have a free democratic system."\[57\] In 1984 Friedman proclaimed he has "never refrained from criticizing the political system in Chile."\[58\] Friedman defended his activity in Chile on the grounds that, in his opinion, the adoption of free market policies not only improved the economic situation of Chile but also contributed to the amelioration of Pinochet's rule and to the eventual transition to a democratic government during 1990. That idea is included in *Capitalism and Freedom*, in which he declared that economic freedom is not only desirable in itself but is also a necessary condition for political freedom. He stressed that the lectures he gave in Chile were the same lectures he later gave in China and other socialist states.\[59\] During the 2000 PBS documentary *The Commanding Heights*, Friedman continued to argue that criticism over his role in Chile missed his main contention that freer markets resulted in freer people, and that Chile's unfree economy had caused the military government. Friedman suggested that the economic liberalization he advocated caused the end of military rule and a free Chile.\[60\]

**Iceland**

Friedman visited Iceland during the autumn of 1984, met with important Icelanders and gave a lecture at the University of Iceland on the "tyranny of the status quo." He participated in a lively television debate\[61\] on August 31, 1984 with socialist intellectuals, including Ólafur Ragnar Grímsson, who later became the president of Iceland.\[62\] When they complained that a fee was charged for attending his lecture at the University and that hitherto, lectures by visiting scholars had been free-of-charge, Friedman replied that previous lectures had not been free-of-charge in a meaningful sense: Lectures always have related costs. What mattered was whether attendees or non-attendees covered those costs. Friedman thought that it was fairer that only those who attended paid. In this discussion Friedman also stated that he did not receive any money for delivering that lecture.
Estonia

Although Friedman never visited Estonia, his book *Free to Choose* exercised a great influence on that nation's then 32-year-old prime minister, Mart Laar, who has claimed that it was the only book on economics he had read before taking office. Laar's reforms are often credited with responsibility for transforming Estonia from an impoverished Soviet Republic to the "Baltic Tiger." A prime element of Laar's program was introduction of the flat tax. Laar won the 2006 Milton Friedman Prize for Advancing Liberty, awarded by the Cato Institute. \[63\]

United Kingdom

Milton Friedman influenced the thinking of Alan Walters and Patrick Minford, two of Margaret Thatcher's main macroeconomic advisers. See the book *Margaret Thatcher's Revolution: How it Happened and What it Meant*, edited by Subroto Roy & John Clarke, Continuum 2005

Criticism

Keynesian criticism

During the financial crisis of 2007–2010, several Keynesian economists such as James Galbraith and Joseph Stiglitz blamed the free market philosophy of Friedman and the Chicago school for the economic turmoil.\[64\] In response to these criticisms, University of Chicago Magazine noted that Chicago's Rajan, Thaler, and Vishney warned the US government that regulations are needed and, “The Chicago School never said we wanted blind deregulation ... We should really ask who were the people in 2000 who decided markets don’t need regulating. Those were not Chicago economists. Some of them were Clinton officials, and some of them are now advising Obama” and noted other examples to claim that their economists are often mischaracterized regarding their views on deregulation.\[65\]

After Friedman's death, Keynesian Nobel laureate Paul Krugman, while regarding Friedman as a "great economist and a great man," criticized him during 2007 by writing that "he slipped all too easily into claiming both that markets always work and that only markets work. It's extremely hard to find cases in which Friedman acknowledged the possibility that markets could go wrong, or that government intervention could serve a useful purpose.”\[66\] National Bureau of Economic Research economist and Friedman's long-time colleague and co-author Anna Schwartz, and Edward Nelson of the Centre for Economic Policy Research responded that Krugman "doubletalks throughout his essay," and asked "How can he say Friedman was a great economist and a great man, if he believes Friedman to have been intellectually dishonest?"\[67\]

Austrian school criticism

During 1971, libertarian economist Murray Rothbard criticized Friedman's efforts to make the government more efficient as detrimental to individual liberty. He concluded that "And so, as we examine Milton Friedman's credentials to be the leader of free-market economics, we arrive at the chilling conclusion that it is difficult to consider him a free-market economist at all."\[68\] Friedman's position on governmental control of money changed since 1971 when this criticism was made.\[69\] In a 1995 interview in *Reason* magazine he said the "difference between me and people like Murray Rothbard is that, though I want to know what my ideal is, I think I also have to be willing to discuss changes that are less than ideal so long as they point me in that direction.” He said he actually would "like to abolish the Fed," and points out that when he has written about the Fed it is simply his recommendations of how it should be run given that it exists.\[9\]
Other criticism

In her book *The Shock Doctrine: The Rise of Disaster Capitalism*, journalist and author Naomi Klein critiqued Friedman's ideology and the principles that guided the economic restructuring that followed the military coups in countries such as Chile and Indonesia, drawing analogies between the way that Friedman proposed using the social "shock" of the coups to create an economic "blank slate" with Ewen Cameron's controversial medical experiments that used electroshock therapy to create a mental "blank slate" in patients with mental disorders. Based on the extent to which the application of neoliberal policies has contributed to income disparities and inequality, both Klein and Noam Chomsky have suggested that the primary role of neoliberalism was as an ideological cover for capital accumulation by multinational corporations. Chilean economist Orlando Letelier asserted that Pinochet's dictatorship resorted to repression because of popular opposition to Chicago School policies in Chile.

Klein’s critique of Friedman is disputed by economists, including Tyler Cowen and Don Boudreaux. Johan Norberg, a senior fellow at the libertarian think tank Cato Institute, accused Klein of distorting quotations from Friedman’s writings and of “linking him to Augusto Pinochet’s brutal military dictatorship in Chile in the 1970s.”

Personal life

According to a 2007 article in *Commentary* magazine, his "parents were moderately observant [Jews], but Friedman, after an intense burst of childhood piety, rejected religion altogether..." He described himself as an agnostic.

Friedman wrote extensively of his life and experiences, especially in 1998 in his memoirs with his wife Rose, titled *Two Lucky People*. He died of heart failure at the age of 94 years in San Francisco on November 16, 2006. He was survived by his wife (who died on August 18, 2009) and their two children, David, who is a philosopher and anarcho-capitalist economist, and Janet. David’s son, Patri Friedman, is the executive director of the Seasteading Institute.

Notes

[6] Among macroeconomists, the "natural" rate has been increasingly replaced by James Tobin's NAIRU, the non-accelerating inflation rate of unemployment, which is seen as having fewer normative connotations.
[7] Nobel prize winner Paul Krugman stated that, "In 1968 in one of the decisive intellectual achievements of postwar economics, Friedman not only showed why the apparent tradeoff embodied in the idea of the Phillips curve was wrong; he also predicted the emergence of combined inflation and high unemployment...dubbed 'stagflation.'" Paul Krugman, *Peddling Prosperity: Economic Sense and Nonsense in an Age of Diminished Expectations* (1995) p 43 online (http://books.google.com/books?id=GcmvijkDrEcCp&dq=friedman+we.ale.all.keynesians.now&pg=PA43#v=onepage&q=friedman+we.ale.all.keynesians.now&f=false). M.E. Sharpe. p. 407. ISBN 0765622270. .


[22] Friedman 1999, p. 42

[23] Friedman 1999, pp. 84–85


[28] [ http://nobelprize.org/nobel_prizes/economics/laureates/1976/friedman-speech.html ]

[29] [ http://freechoochoose.com/ ]


Milton Friedman


[54] Letters of correspondence between Friedman and dictator Pinochet (http://www.naomiklein.org/files/resources/pdfs/friedman-pinochet-letters.pdf)


[58] Frances Fox Piven vs. Milton Friedman, Thomas Sowell (http://www.youtube.com/watch?v=JQkd5f6am0), debate, 1980, YouTube.


[61] http://www.youtube.com/view_play_list?p=EBBBBDB20C85145A


References


Further reading


External links

- Works by or about Milton Friedman (http://worldcat.org/identities/lccn-n79-117948) in libraries (WorldCat catalog)
- Milton Friedman (http://www.imdb.com/name/nm0295313/) at the Internet Movie Database
- Appearances (http://www.c-spanvideo.miltonfriedman) on C-SPAN
- Milton Friedman (http://www.charlierose.com/guest/view/160) on Charlie Rose
- The Milton Friedman papers (http://www.oac.cdlib.org/findaid/ark:/13030/tf7t1nb2hx/) at the Hoover Institution Archives (http://www.hoover.org/hila)
- Selected Bibliography for Milton Friedman (http://www.lib.uchicago.edu/e/busecon/econfac/Friedman.html) at the University of Chicago Library
- Profile (http://ideas.repec.org/e/pfr10.html) and Papers (http://econpapers.repec.org/RAS/pfr10.htm) at Research Papers in Economics/RePEc
Milton Friedman (http://www.econlib.org/library/Enc/bios/Friedman.html) at Econlib

Milton Friedman (http://www.pbs.org/wgbh/commandingheights/shared/minitext/int_miltonfriedman.html), Commanding Heights, PBS, October 1, 2000, interview, profile and video

Becker Friedman Institute (http://bfi.uchicago.edu/) at the University of Chicago

Milton Friedman (http://www.cato.org/special/friedman/) at the Cato Institute

Free to Choose Network (http://www.ideachannel.com/)

The Foundation for Educational Choice (http://www.edchoice.org/)

Milton Friedman (http://www.economictheories.org/2008/08/milton-friedman-histor-theory-biography.html) at Scarlett


The Case for Free Trade by Milton and Rose Friedman (http://doc.cat-v.org/economics/milton_friedman/the_case_for_free_trade)
