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Milton Friedman, the Father of Economic Freedom

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The Heritage Foundation bids goodbye to a leading intellectual light of the 20th century whose powerful ideas continue to transform our world. Milton Friedman's economic, philosophical, and political writing inspired decades of Heritage work in such diverse areas as Social Security reform, competition in education, and tax policy. We are particularly indebted for his role in championing economic freedom, and that effort lives on in the Heritage Foundation/*Wall Street Journal* annual *Index of Economic Freedom*. The life of Milton Friedman is proof that a single individual's ideas can shape history for the better.

Born in New Jersey to Jewish Hungarian immigrants, Friedman witnessed most of mankind's most murderous century. The years of his life—1912 to 2006—neatly encompassed all the most barbarous acts of which the human race is capable. But Friedman remained an optimist.

Friedman was an optimist because he believed in an unfettered capitalist economy that could produce prosperity that would balance and often outweigh every horror of society's latest social experiment.



*Illustration of Milton Friedman by J. William Middendorf II,
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Over his life, fascism replaced plutocracy, communism replaced fascism, socialism eclipsed communism, and Islamism rose in the end. The drumbeat of collectivism—the submission of the individual to the state—was the 20th century's most characteristic political feature, and each new form was nearly as appalling as the last. Even today, the world has not learned this lesson. The siren song of autocracy—the forging together of a nation, a religion, a race to increase its collective power—relegates society to near-perpetual adolescence.

Writing in the early 1960s, Friedman accurately described the danger of collectivism. In 1962, he published *Capitalism and Freedom*, ultimately his most famous book, partly as a response to the growing scope of

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the U.S. federal government under Presidents Eisenhower and Kennedy. Here is how he responded to the rhetoric of Kennedy's inaugural address:

The free man will ask neither what his country can do for him, nor what he for his country. He will ask rather "What can I and my compatriots do through government" to help us discharge our individual responsibilities to achieve our several goals and purposes, and above all, to protect our freedom? And he will accompany this question with another: "How can we keep the government from becoming a Frankenstein that will destroy the very freedom we establish it to protect?" Freedom is a rare and delicate plant. *Our minds tell us, and history confirms, that the great threat to freedom is concentration of power.*

Friedman's greatest legacy may be his demonstration that good economic policy strengthens democracy and, thereby, freedom. For instance, a monetary policy that creates inflationary pressure and high interest rates can lead to the breakdown of democracy, as factions battle for government relief.

Friedman sensibly argued that economic policy should create a level playing field. In the area of monetary management, the Federal Reserve should attempt to maintain a stable price level, rather than fine-tune the economy to achieve certain output and employment results.

Friedman's work was heretical, and not just among economists. In the 1950s and early 1960s, the Great Depression was too recent, and fear of a recurrence quite real. Franklin Delano Roosevelt was a popular hero because his interventionist New Deal was believed to have pulled America out of the hopeless economic mire created by his predecessor, the laissez-faire Herbert Hoover. Interventionist economics—popularized by the New Deal and formalized by economists like John Maynard Keynes—was the only game in town. Yet Friedman had an edge over his opponents—university professors, the mainstream media, both superpowers, and most of the rest of the world—because in the end, Friedman was right.

Friedman's bold prediction that monetary policy would become the dominant economic tool of the modern age proved prescient. Today, few, if any, government officials have more economic influence than the Chairman of the Federal Reserve. The cult of Alan Greenspan that grew over the last 20 years owes more to Milton Friedman than it does—with all due respect—to Alan Greenspan. And modern U.S. economic policy, despite all the predictions of the 1950s, is based on limited government interference, monetarism, and the free market—Friedman's then-heretical ideas.

America is hardly unique in this. Across the world, countries that adopted free markets have prospered. There are now an easily identifiable club of market economies and a no-less-identifiable club of protectionist dinosaurs. The United States, Australia, the United Kingdom, and Ireland share more than a common ethnic heritage; they share an Anglo-Saxon model of economics that builds prosperity exactly as Friedman described.

When state spending and taxes rise, economic growth falls, as Britain discovered in the 1970s. There is a reason why France suffers a 9 percent unemployment rate and why its growth languishes at 2 percent per year. And there is a reason why Hong Kong, Singapore, Chile, and the United Arab Emirates have prospered, particularly relative to their neighbors. Friedman's theories of economic freedom have been adopted, in practice, by virtually every state that aspires to be an economic power. Some countries have attempted to restrict the political consequences of economic liberalization by allowing economic freedom only. But as Pinochet's Chile and Gorbachev's Soviet Union can attest, this is risky and ultimately untenable—Friedman was right that economic freedom underlies other freedoms.

Friedman's last major work, *Free to Choose*, built on *Capitalism and Freedom*, containing more concrete suggestions and less philosophical debate. The book was enthusiastically received, selling 400,000 copies in its first year of publication. The television series that accompanied *Free to Choose* has been re-released several times and remains popular today, 26 years after its premier.

The unifying theme of Friedman's life and work was belief in the power of the individual, prosperity, and freedom. He has left both mankind and the profession of economics with enormous gifts and was able to enjoy that rare experience of worldwide validation during his lifetime.

By making his powerful insights accessible in clear language, Friedman saved millions or billions

of people from decades of oppressive statism. Even so, he has been taken from us too soon.

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