

WSJ Print Edition

The economist who became a Nobel laureate 50 years ago skewered not people but bad ideas.



Milton Friedman in 1980. EVERETT/ SHUTTERSTOCK

Milton Friedman's Courageous Candor

By Arthur M. Diamond

Friends of free markets lament that we need, but can't find, new Milton Friedmans to refute emboldened socialists. We might have better luck if we remembered what we are trying to find. Not

Fifty years ago Wednesday, Friedman was awarded the Nobel Prize in economics. The Associated Press reported that the Nobel committee had an unusually long and heated discussion of his nomination. Some members were rumored to have objected to Friedman's policy proposals in his "careless" commentaries in his magazine columns.

In Newsweek and elsewhere, Friedman proposed a better world of progress and freedom. His arguments were strong, and he delivered them with courage, clarity and a disarming good humor that was magnified by his directing them at ideas, not people. Gary Becker, Friedman's former student and an eventual Nobel winner himself, said Friedman

"was the most intellectually courageous person I have ever known, willing to say something if he believed it was right, damn the consequences." The consequence was that Friedman sometimes had to take ill will from those who didn't want to hear what he said.

Friedman took ill will from the American Medical Association when he argued that licensing physicians limited their supply and thereby reduced patient access to healthcare. He took ill will from his fellow economists who were receiving National Science Foundation funding when he argued that the NSF should be abolished because it burdened taxpayers and reduced innovation. And he took ill will from the Marxist Spartacus Youth League (who for years disrupted his speeches) when he argued that their socialism would bring the end of progress and freedom.

Early in his career Friedman took ill will from the socialist-oriented and highly mathematical Cowles Commission. The commission was an important part of the University of Chicago economics department and included a couple of members who went on to receive Nobel Prizes. At Cowles Commission seminars, Friedman persistently argued that their modeling choices were arbitrary and their complex general equilibrium multiple regression models didn't generate predictions supported by the evidence.

Friedman's experiences strengthened his argument. During World War II, while working for the government, he had used multiple regression analysis—a means of statistical prediction—to try to devise two stronger alloys for use in military airplanes.

When he sent his pro--posed alloy mixtures to be created and tested at an MIT lab, both alloys burned up in a few hours, leading him to a lifelong skepticism of multiple regression analysis.

Jennifer Burns tells in her biography of Friedman how the members of the Cowles Commission decamped for Yale rather than stay in Chicago and face his persuasive arguments. This gave Friedman the opportunity to build a major economics department that practiced methods and pursued goals different from others.

Economists Arjo Klamer and David Colander reported in their 1990 book, "The Making of an Economist," that when they surveyed graduate students at four major economics departments, those at MIT, Harvard and Columbia thought they were doing mathematical puzzling. Those at Chicago thought they were applying price theory to understand how the world worked and make it work better. Many called this the Chicago School; Friedman called it good economics.

Friedman believed that good economics required free speech, and sometimes he quickly changed his mind in response to new evidence and arguments. When British economist Ronald Coase presented some of his ideas, Friedman was at first skeptical but came to agree with Coase after a lively discussion one evening. George Stigler, Friedman's close friend and co-founder of the Chicago School, said, "What an exhilarating event!"

On some other issues, Friedman's views evolved more slowly. He partly regretted his early effort to make income-tax withholding more efficient, seeing it as a stimulant to the growth of government. His later proposal for income tax policy was called the "negative income tax," a form of what today is called universal basic income. I speculate that if he were alive today, he might see it as another regrettable proposal that is also likely to stimulate government growth.

A cheery disposition didn't keep Friedman from seeing that a "tyranny of the status quo"—the title of one of the books he wrote with his wife, Rose—often blocked the adoption of good policies. But he also saw that in times of crisis, officials would seek out alternative policies that economists had developed and kept alive. Today we have a healthcare crisis. When I first met Friedman in about 1973, I remember his supporting the abolition of the Food and Drug Administration. When I last heard him speak, more than 30 years later (about a year before his death in 2006), he was still keeping this policy alive, still explaining that the FDA made healthcare very expensive and most importantly reduced drug innovation. - Note

At 5 feet tall, Milton Friedman wasn't physically imposing. He was short, but not short on perseverance, goodwill, clarity and courage.

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