

Beyond Remarkable: A Remembrance of Milton Friedman

by

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Rose, David, Janet, Grandchildren, Ladies and Gentlemen.

Like so many others, I first met Milton and Rose Friedman in my Introductory Economics course, when *Capitalism and Freedom* was recommended supplemental reading, presenting a counterpoint to the explicit and implicit policy proposals in Paul Samuelson's introductory economics textbook. While I had not yet decided even to major in Economics, let alone to become an economist, I did have an inkling that it would not be my last encounter with the ideas Milton espoused so clearly and forcefully.

Milton Friedman was a truly brilliant scholar and technical economist. His contributions to monetary economics; to understanding the costs of high inflation; to the conduct of monetary policy with the goal of achieving price stability; to the use of rules rather than continuous discretion to achieve those goals; to understanding the relationship between inflation and unemployment; to his theory of permanent income in the analysis of consumption; each could have won Milton a Nobel Prize and a place in the pantheon of great economists of the 20th century. To have done them all, overcoming entrenched consensus opinion in each case, and to be borne out by history, data, and events is beyond remarkable.

Milton was as original and prolific a public intellectual as an academic researcher, proposing all manner of policy reforms on topics such as the all-volunteer army which led to the abolition of the draft; the negative income tax as a replacement for welfare, giving rise to its imperfect cousin, the earned income-tax credit; the flat tax, which heavily influenced my work on the taxation of human

capital, led to Alvin Rabushka and Bob Hall's proposal, and is being implemented in eastern Europe and elsewhere; school choice and education vouchers, on which we see a variety of primarily successful experiments, to name a few. Milton lit the torch for these ideas in his writing, speaking, *Newsweek* columns, the terrific television series with Rose, and, of course, his policy advising.

It would be hard to overemphasize the most central theme of Milton's work, the importance of freedom and choice, vital values in their own right as well as successful precursors of better economic outcomes, broadly shared, rather than government bureaucracy, state intervention and, even worse, socialism and central planning.

Every time we economists argue against more regulation, higher tax rates, government mandates, expanded government spending, or international trade restraints, to name but a few, we are volunteers in Milton's army. Certainly I have been such a volunteer for many decades; never more so than when I performed those tasks every day for four years as Chairman of the President's Council of Economic Advisers.

In my own intellectual endeavors as well as policy advising, I often ran directly in Milton's wake. My undergraduate honors thesis was on the negative income tax and, in a brazen move for an undergraduate at another university in those days, I sent it to Milton. Lo and behold, two weeks later I got a handwritten letter from Ely, Vermont, where he and Rose were vacationing; seven pages of comments, suggestions and, most of all, encouragement and support. How generous this busy, brilliant man was to an aspiring economist he had never even met.

That advice and support continued throughout my career. It began a long series of wonderful missives from Milton, increasingly arriving by e-mail in recent years, comments on virtually everything I sent him, from technical paper to op-ed.

Milton and Rose were also warm and wonderful personal friends. While my wife Chris will always remember fun skiing with Milton at Alta, I will always remember two things about him that left a very deep impression on me and which I have sought in my own way, however imperfectly, to emulate. When I first came to Stanford as an Assistant Professor, my administrative duty in the Economics Department was to be in charge of eminent guest speakers invited by the Department. The economists among you will get a chuckle out of our hosting Joan Robinson and Nicholas Kaldor simultaneously, but the highlights of the year were the sequential arrivals of Paul Samuelson and Milton Friedman.

Milton gave an interesting seminar, and in the Q&A afterwards he politely but forcefully destroyed everybody who questioned him. But in the miscellaneous social venues around the talk, I noticed that Milton, who loved to argue ideas, did not discriminate in his audience. From current or future Nobel laureates to junior professors to graduate students to the hired catered help, Milton would be just as profound, just as clear, just as generous. That left a very deep personal impression on me, reinforcing values my parents had tried to inculcate in me as a child.

But there is one other aspect of Milton and Rose's life that I want to share. I was CEA Chairman when the Berlin Wall fell. President Bush put me, along with the Deputy Secretaries of Treasury and State in charge of our assistance programs to the so-called former satellites: Poland, Hungary, the then Czechoslovakia. Vaclav Klaus, an economist who was Finance Minister, later Prime Minister and then head of the Legislature in the Czech Republic, related a story to me when we met to discuss what the U.S. could and should do -- and importantly, what it should not do: massive financial bailouts. He said that, during the Soviet occupation, he and some other economics professors and students would gather in his attic and read banned copies of *Capitalism and Freedom* and Milton's other work. They knew there had to be something better than what they were taught, living and experiencing every day, with the inefficiency and deprivation of central planning and the horrors of totalitarian communism. So I leave you with the image of someone whose words and deeds

gave the precious gift of hope to so many people who suffered so much under totalitarian political economic systems, something well worth remembering in the world today.

My personal journey is echoed in the intellectual and historical experience of the last several decades. Back in the 1960s, 70s, 80s and 90s – and, remarkably, even today on college campuses – a prevailing view was that the world’s social and economic systems would – and should -- somehow converge toward a central tendency, about where Yugoslavia was in the 1970s. The communist economies, it was said, would round off some of the rough edges by allowing a little freer reign to private incentives, whereas the advanced capitalist economies would evolve into ever-larger welfare states with more government planning, intervention and control in their economies. Recall that, when *Capitalism and Freedom* was first published, Soviet Premier Khrushchev had recently bellowed to an American President, “WE WILL BURY YOU”, speaking of the alleged supremacy of the Soviet economic model.

Despite the economic and political travesty unfolding in Northern South America, there is no longer any doubt about whether there are two alternative paths to economic prosperity. Compare the capitalist former West Germany with the socialist East Germany, where living standards were only one-fifth those in the west. Socialism and central planning simply do not work. Witness China; the move to a semi-market economy from their extreme form of communist collectivism unleashed such remarkable economic progress that 300 million Chinese have been lifted out of abject poverty. Never before in human history have so many people, or such a large fraction of the population, seen such material progress in so short a time.

Milton and Rose wrote a remarkable autobiography and titled it, *Two Lucky People*. Well, who am I to argue with their description of themselves as two lucky people? Anyone who has spent five minutes with them knows they were certainly lucky to have found each other. But I can also say that there are thousands of friends and colleagues, fellow economists, direct and indirect

students of Milton's and Rose's, and millions of ordinary people everywhere who are really lucky to have benefited so much from the life and legacy of Milton Friedman.