

COMMANDING HEIGHTS

Milton Friedman

(b. 1912)

Nobel Prize-winning economist Milton Friedman is widely regarded as the leader of the Chicago School of monetary economics, which stresses the importance of the quantity of money as an instrument of government policy and as a determinant of business cycles.

Winner of the Nobel Prize for Economics in 1976, Milton Friedman first aspired to become an insurance actuary. Despite his early love of mathematics, he failed several exams, however.

With the onset of the Great Depression, he turned his attention to economics and found his vocation. At the University of Chicago he steeped himself in the ideas of the classical laissez-faire economists. Work for the government followed and a Ph.D. from Columbia. In 1946 he returned to Chicago to teach, and there, over the next 30 years, he helped initiate a counterrevolution in economic thinking.

The prevailing economic wisdom of the day—Keynesianism—emphasized substantial central government planning and intervention in the marketplace. Friedman's early research convinced him that this approach was misguided. In 1947 he associated himself with conservative Austrian economist Friedrich Hayek, who was an outspoken opponent of all socialist policies. Friedman played a key role in the formation of Hayek's influential Mont Pelerin Society.

To Friedman, the quantity of money is the most important determinant in business cycles and inflation, and, accordingly, government should focus its attention on monetary policy rather than fiscal intervention in the marketplace. An outspoken advocate of both personal liberty and free markets, he has consistently argued for de-regulation and a reduced role for government overall.

Largely disregarded by America's mainstream power elite during the '50s and '60s, Friedman's star rose when some of the negative effects he had long predicted for Keynesian policies came true in the widespread economic "stagflation" of the 1970s.

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Having advised conservative Arizona Senator Barry Goldwater in his unsuccessful 1964 presidential bid, he now found himself economic advisor to Presidents Nixon and Reagan, and to British Prime Minister Margaret Thatcher. In 1976 he moved from the University of Chicago to the Hoover Institute at Stanford in California.

Through books and a public television series in the 1980s, *Free to Choose*, Friedman has become widely known in America, but remains controversial. He was heavily criticized by liberals for his willingness to advise right-wing Chilean dictator Augusto Pinochet after Pinochet overthrew the democratically elected government of Salvador Allende. Unfazed, Friedman has argued that if he could help reestablish a free market in Chile, political freedom would eventually triumph there as well.