
November 19, 2006

OP-ED CONTRIBUTOR

The Great Liberator

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IF John Maynard Keynes was the most influential economist of the first half of the 20th century, then Milton Friedman was the most influential economist of the second half.

Not so long ago, we were all Keynesians. (“I am a Keynesian,” Richard Nixon famously said in 1971.) Equally, any honest Democrat will admit that we are now all Friedmanites. Mr. Friedman, who died last week at 94, never held elected office but he has had more influence on economic policy as it is practiced around the world today than any other modern figure.

I grew up in a family of progressive economists, and Milton Friedman was a devil figure. But over time, as I studied economics myself and as the world evolved, I came to have grudging respect and then great admiration for him and for his ideas. No contemporary economist anywhere on the political spectrum combined Mr. Friedman’s commitment to clarity of thought and argument, to scientifically examining evidence and to identifying policies that will make societies function better.

Mr. Friedman is perhaps best known for his views on money and monetary policy. Fierce debates continue on how the Federal Reserve and other central banks should set monetary policy. But the debates take place within the context of nearly total agreement on some basics: Monetary policy can shape an economy more than budgetary policy can; extended high inflation will not lead to prosperity and can lead to lower living standards; policy makers cannot fine-tune their economies

as they fluctuate.

These insights may seem self-evident — but they were won through a combination of Mr. Friedman’s powerful argument and painful experience. I know. As an undergraduate in the early 1970s, I was taught that everyone other than Milton Friedman and a few other dissidents knew that fiscal policy was of primary importance for stabilizing economies, that the Phillips curve could be exploited to increase employment if only society would tolerate some increase in inflation and that economists would soon be able to tame economic fluctuations through finely calibrated policies. When I started teaching undergraduates a decade later, Mr. Friedman’s heresies had become the orthodoxy.

While much of his academic work was directed at monetary policy, Mr. Friedman’s great popular contribution lay elsewhere: in convincing people of the importance of allowing free markets to operate.

From what I’ve heard, Milton Friedman’s participation on a government commission on the volunteer military in the late 1960s was a kind of intellectual version of the play “Twelve Angry Men.” Gradually, through force of persistent argument and marshaling of evidence, he brought his fellow commission members around to the previously unthinkable view that both our national security and our broader interest would be best served by a volunteer military.

Another example of Mr. Friedman’s influence is the structure of modern financial markets. Today we take it as given that free financial markets shape finance. The dollar fluctuates unhindered against other currencies and there is an entire industry of trading futures and options on interest rates and currencies. At the time Mr. Friedman first proposed flexible exchange rates and open financial markets, it was thought that they would be inherently destabilizing and that governments needed to control the movement of capital across international borders.

There are other areas like vouchers for school choice, drug legalization and the abolition of certification requirements for lawyers, doctors and other professionals where Mr. Friedman has not yet and may never

carry the day. But even in these areas, the climate of opinion and the nature of policy have shifted because of his powerful arguments.

This all would be enough to mark Milton Friedman as a great man. But beyond Milton Friedman the economist, there was Milton Friedman the public philosopher. Ask reformers in any one of the countries behind what we used to call the Iron Curtain where they learned to contemplate alternatives to communism during the closed era before the Berlin Wall fell and they will often tell you about reading Milton Friedman and realizing how different their world could be.

Milton Friedman and I probably never voted the same way in any election. To my mind, his thinking gave too little weight to considerations of social justice and was far too cynical about the capacity of collective action to make people better off. I believe that some of the great challenges we face today, like rising inequality and global climate change, require that the free market be tempered instead of venerated. And like any economist, I have my list of areas where I believe Mr. Friedman oversimplified or was simply wrong.

Nonetheless, like many others I feel that I have lost a hero — a man whose success demonstrates that great ideas convincingly advanced can change the lives of people around the world.

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