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Milton Friedman, 94, Free-Market Theorist, Dies

By [HOLCOMB B. NOBLE](#)

[Milton Friedman](#), the grandmaster of free-market economic theory in the postwar era and a prime force in the movement of nations toward less government and greater reliance on individual responsibility, died yesterday. He was 94 and lived in San Francisco.

His death was confirmed by Robert Fanger, a spokesman for the Milton and Rose D. Friedman Foundation in Indianapolis.

Conservative and liberal colleagues alike viewed Mr. Friedman, a [Nobel laureate](#), as one of the 20th century's leading economic scholars, on a par with giants like John Maynard Keynes and Paul Samuelson.

Flying the flag of economic conservatism, Mr. Friedman led the postwar challenge to the hallowed theories of Lord Keynes, the British economist who maintained that governments had a duty to help capitalistic economies through periods of recession and to prevent boom times from exploding into high inflation.

In Mr. Friedman's view, government had the opposite obligation: to keep its hands off the economy, to let the free market do its work. He was a spiritual heir to Adam Smith, the 18th-century founder of the science of economics and proponent of laissez-faire: that government governs best which governs least.

The only economic lever that Mr. Friedman would allow government to use was the one that controlled the supply of money — a monetarist view that had gone out of favor when he embraced it in the 1950s. He went on to record a signal achievement, predicting the unprecedented

combination of rising unemployment and rising inflation that came to be called stagflation. His work earned him the Nobel Memorial Prize in Economic Science in 1976.

Rarely, colleagues said, did anyone have such impact on his own profession and on government. Though he never served officially in the halls of power, he was around them, as an adviser and theorist.

“Among economic scholars, Milton Friedman had no peer,” [Ben S. Bernanke](#), the Federal Reserve chairman, said yesterday. “The direct and indirect influences of his thinking on contemporary monetary economics would be difficult to overstate.”

Professor Friedman also fueled the rise of the Chicago School of economics, a conservative group within the department of economics at the [University of Chicago](#). He and his colleagues became a counterforce to their liberal peers at the [Massachusetts Institute of Technology](#) and Harvard, influencing close to a dozen American winners of the Nobel in economics.

It was not only Mr. Friedman’s antistatist and free-market views that held sway over his colleagues. There was also his willingness to create a place where independent thinkers could be encouraged to take unconventional stands as long as they were prepared to do battle to support them.

“Most economics departments are like country clubs,” said James J. Heckman, a Chicago faculty member and Nobel laureate. “But at Chicago you are only as good as your last paper.”

[Alan Greenspan](#), the former Federal Reserve chairman, said of Mr. Friedman in an interview Tuesday: “From a longer-term point of view, it’s his academic achievements which will have lasting import. But I would not dismiss the profound impact he has already had on the American public’s view.”

To Mr. Greenspan, Mr. Friedman came along at an opportune time. The Keynesian consensus among economists, he said — one that had worked well from the 1930s — could not explain the stagflation of the

1970s.

But he also said that Mr. Friedman had made a broader political argument: that you have to have economic freedom to have political freedom.

Mr. Friedman had a gift for communicating complicated ideas in simple and lucid ways, and it served him well as the author or co-author of more than a dozen books, as a columnist for Newsweek from 1966 to 1983 and even as the star of a public television series. He was a bridge between the academic and popular worlds, and his broader impact stemmed in large part from the fact that he was preaching a gospel of capitalism that fit neatly into American self-perceptions. He was pushing on an open door.

A Staunch Libertarian

As a libertarian, Mr. Friedman advocated legalizing drugs and generally opposed public education and the state's power to license doctors, car drivers and others. He was criticized for those views, but he stood by them, arguing that prohibiting, regulating or licensing human behavior either does not work or creates inefficient bureaucracies.

Mr. Friedman insisted that unimpeded private competition produced better results than government systems. "Try talking French with someone who studied it in public school," he argued, "then with a Berlitz graduate."

Once, when accused of going overboard in his antistatism, he said, "In every generation, there's got to be somebody who goes the whole way, and that's why I believe as I do."

In the long period of prosperity after World War II, when Keynesian economics was riding high in the West, Mr. Friedman alone warned of trouble ahead, asserting that policies based on Keynesian theory were part of the problem.

Even as he was being dismissed as an economic "flat-earther," he

predicted in the 1960s that the end of the boom was at hand. Expect unemployment to grow, he said, and inflation to rise, at the same time. The prediction was borne out in the 1970s. It was Paul Samuelson who labeled the phenomenon stagflation.

Mr. Friedman's analysis and prediction were regarded as a stunning intellectual accomplishment and contributed to his earning the Nobel for his monetary theories. He was also cited for his analyses of consumer savings and of the causes of the Great Depression: he blamed the Federal Reserve, accusing it of bad monetary policy and saying it had bungled early chances for recovery. His prestige and that of the Chicago school soared, and his analysis of the Depression changed the way that the Fed thought about monetary policy.

Government leaders like President [Ronald Reagan](#) and Prime Minister [Margaret Thatcher](#) of Britain were heavily influenced by his views. So was the quietly building opposition to communism within the East bloc.

As the end of the century approached, Professor Friedman said events had made his views seem only more valid than when he had first formed them. One event was the fall of communism. In an introduction to the 50th-anniversary edition of Friedrich A. Hayek's book predicting totalitarian consequences from collectivist planning, "The Road to Serfdom," Mr. Friedman wrote it was clear that "progress could be achieved only in an order in which government activity is limited primarily to establishing the framework with which individuals are free to pursue their own objectives."

"The free market is the only mechanism that has ever been discovered for achieving participatory democracy," he said.

Professor Friedman was acknowledged to be a brilliant statistician and logician. To his critics, however, he sometimes pushed his data too far. To them, the debate over the advantages or disadvantages of an unregulated free market was far from over.

Milton Friedman was born in Brooklyn on July 31, 1912, the last of four children and only son of Jeno S. Friedman and Sarah Landau

Friedman. His parents worked briefly in New York sweatshops, then moved their family to Rahway, N.J., where they opened a clothing store.

Mr. Friedman's father died in his son's senior year at Rahway High School. Young Milton later waited on tables and clerked in stores to supplement a scholarship he had earned at [Rutgers University](#). He entered Rutgers in 1929, the year the stock market crashed and the Depression began.

Mr. Friedman attributed his success to "accidents": the [immigration](#) of his teen-age parents from Czechoslovakia, enabling him to be an American and not the citizen of a Soviet-bloc state; the skill of a high-school geometry teacher who showed him a connection between Keats's "Ode to a Grecian Urn" and the Pythagorean theorem, allowing him to see mathematical beauty; the receipt of a scholarship that enabled him to attend Rutgers and there have Arthur F. Burns and Homer Jones as teachers.

He said Mr. Burns, who later became chairman of the Federal Reserve, instilled in him a passion for scientific integrity and accuracy in economics; Mr. Jones interested him in monetary policy and a graduate school career at Chicago.

In his first economic-theory class at Chicago, he was the beneficiary of another accident — the fact that his last name began with an "F." The class was seated alphabetically, and he was placed next to Rose Director, a master's-degree candidate from Portland, Ore. That seating arrangement shaped his whole life, he said. He married Ms. Director six years later. And she, after becoming an important economist in her own right, helped Mr. Friedman form his ideas and maintain his intellectual rigor.

After he became something of a celebrity, Mr. Friedman said, many people became reluctant to challenge him directly. "They can't come right out and say something stinks," he said. "Rose can."

In 1998, he and his wife published a memoir, "Two Lucky People" (University of Chicago Press), in which they reveled in "having

intellectual children throughout the world.”

His wife is among his survivors. They also include a son, David, and a daughter, Janet Martel, four grandchildren and three great-grandchildren.

A Fateful Class

That fateful class at the University of Chicago also introduced him to Jacob Viner, regarded as a great theorist and historian of economic thought. Professor Viner convinced Mr. Friedman that economic theory need not be a mere set of disjointed propositions but rather could be developed into a logical and coherent prescription for action.

Mr. Friedman won a fellowship to do his doctoral work at Columbia, where the emphasis was on statistics and empirical evidence. He studied there with Simon Kuznets, another American Nobel laureate. The two turned Mr. Friedman's thesis into a book, "Income From Independent Professional Practice." It was the first of more than a dozen books that Mr. Friedman wrote alone or with others.

It was also the first of many "Friedman controversies." One finding of the book was that the [American Medical Association](#) exerted monopolistic pressure on the incomes of doctors; as a result, the authors said, patients were unable to reap the benefits of lower fees from any real price competition among doctors. The A.M.A., after obtaining a galley copy of the book, challenged that conclusion and forced the publisher to delay publication. But the authors did not budge. The book was eventually published, unchanged.

During the first two years of World War II, Mr. Friedman was an economist in the Treasury Department's division of taxation. "Rose has never forgiven me for the part I played in devising and developing withholding for the income tax," he said. "There is no doubt that it would not have been possible to collect the amount of taxes imposed during World War II without withholding taxes at the source.

"But it is also true," he went on, "that the existence of withholding has made it possible for taxes to be higher after the war than they

otherwise could have been. So I have a good deal of sympathy for the view that, however necessary withholding may have been for wartime purposes, its existence has had some negative effects in the postwar period.”

After the war, he returned to the University of Chicago, becoming a full professor in 1948 and commencing his campaign against Keynesian economics. Robert M. Solow of M.I.T., a Nobel laureate who often disagreed with Mr. Friedman, called him one of “the greatest debaters of all time.” But his wisecracking style could infuriate opponents.

Mr. Samuelson, also of M.I.T., who was not above wisecracking himself, had a standard line in his economics classes that always brought down the house: “Just because Milton Friedman says it doesn’t mean that it’s necessarily untrue.”

But Professor Samuelson said he never joked in class unless he was serious — that his friend and opponent was, in fact, often right when at first he sounded wrong.

Mr. Friedman’s opposition to rent control after World War II, for example, incurred the wrath of many colleagues. They took it as an unpatriotic criticism of economic policies that had been successful in helping the nation mobilize for war. Later, Mr. Samuelson said, “probably 98 percent of them would agree that he was right.”

In the early 1950s, Mr. Friedman started flogging a “decomposing horse,” as Mrs. Thatcher’s chief economic adviser, Alan Waters, later put it. The horse that most economists thought long dead was the monetarist theory that the supply of money in circulation and readily accessible in banks was the dominant force — or in Mr. Friedman’s view, the only force — that should be used in shaping the economy.

In the 1963 book “A Monetary History of the United States, 1867-1960,” which he wrote with Anna Jacobson Schwartz, Mr. Friedman compiled statistics to buttress his theory that recessions, as well as the Great Depression, had been preceded by declines in the money supply. And it was an oversupply, he argued, that caused inflation.

In the late 1960s, Mr. Friedman used his knowledge of empirical evidence and statistics to calculate that Keynesian government programs had the effect of constantly increasing the money supply, a practice that over time was seriously inflationary.

Paul Krugman, a [Princeton University](#) economist and Op-Ed columnist for The New York Times, said Mr. Friedman then managed “one of the decisive intellectual achievements of postwar economics,” predicting the combination of rising unemployment and rising inflation that came to be called stagflation.

In this regard, his Nobel award cited his contribution to the now famous concept “the natural rate of unemployment.” Under this thesis, the unemployment rate cannot be driven below a certain level without provoking an acceleration in the inflation rate. Price inflation was linked to wage inflation, and wage inflation depended on the inflationary expectations of employers and workers in their bargaining.

A spiral developed. Wages and prices rose until expectations came into line with reality, usually at the natural rate of unemployment. Once that rate is achieved, any attempt to drive down unemployment through expansionary government policies is inflationary, according to Mr. Friedman’s thesis, which he unveiled in 1968.

For years economists have tried to pinpoint the elusive natural rate, without much success, particularly in recent years.

Mr. Friedman was right on the big economic issue of that time — inflation. And his prescription — to have the governors of the [Federal Reserve System](#) keep the money supply growing steadily without big fluctuations — figured in the thinking of policy makers around the world in the 1980s.

A Retort to Kennedy

Mr. Friedman also pursued his attack on Keynesianism in a more general way. He warned that a government allowed to regulate the economy could not be trusted to keep its hands off individual liberties.

He had first been exposed to this line of attack through his association with Mr. Hayek, who was predicting in the early 1940s that communism would lead inevitably to totalitarianism and the crushing of individual rights. In an introduction to a 1971 German edition, Professor Friedman called Mr. Hayek's book "a revelation particularly to the young men and women who had been in the armed forces during the war."

"Their recent experience had enhanced their appreciation of the value and meaning of individual freedom," he wrote.

In 1962, Mr. Friedman took on President [John F. Kennedy](#)'s popular inaugural exhortation: "Ask not what your country can do for you. Ask what you can do for your country." In an introduction to his classic book "Capitalism and Freedom," a collection of his writings and lectures, he said President Kennedy had got it wrong: You should ask neither.

"What your country can do for you," Mr. Friedman said, implies that the government is the patron, the citizen the ward; and "what you can do for your country" assumes that the government is the master, the citizen the servant. Rather, he said, you should ask, "What I and my compatriots can do through government to help discharge our individual responsibilities, to achieve our several goals and purposes, and above all protect our freedom."

It was not that Mr. Friedman believed in no government. He is credited with devising the negative income tax, which in a modern variant — the earned-income tax credit — increases the incomes of the working poor. He also argued that government should give the poor vouchers to attend the private schools he thought superior to public ones.

In forums he would spar over the role of government with his more liberal adversaries, including John Kenneth Galbraith, who was also a longtime friend (and who died in April 2006). The two would often share a stage, presenting a study in contrasts as much visual as intellectual: Mr. Friedman stood 5 feet 3; Mr. Galbraith, 6 feet 8.

Though he had helped ignite the conservative rebellion after World

War II, together with intellectuals like Russell Kirk, [William F. Buckley Jr.](#) and Ayn Rand, Mr. Friedman had little or no influence on the administrations of Presidents [Dwight D. Eisenhower](#), Kennedy, [Lyndon B. Johnson](#) and [Richard M. Nixon](#). President Nixon, in fact, once described himself as a Keynesian.

It was frustrating period for Mr. Friedman. He said that during the Nixon years the talk was still of urban crises solvable only by government programs that he was convinced would make things worse, or of environmental problems produced by “rapacious businessmen who were expected to discharge their social responsibility instead of simply operating their enterprises to make the most profit.”

Rising With Reagan

But then, after the 1970s stagflation, with Keynesian tools seemingly broken or outmoded, and with Ronald Reagan headed for the White House, Mr. Friedman’s hour arrived. His power and influence were acknowledged and celebrated in Washington.

With his wife, in 1978 he brought out a best-selling general-interest book, “Free to Choose,” and went on an 18-month tour, from Hong Kong to Ottumwa, Iowa, preaching that government regulation and interference in the free market was the stifling bane of modern society. The tour became the subject and Mr. Friedman the star of a 10-part [PBS](#) series, “Free to Choose,” in 1980.

In 1983, having retired from teaching, he became a fellow at the Hoover Institution at [Stanford University](#). Five years later he was awarded the Presidential Medal of Freedom and the National Medal of Science.

The economic expansion in the 1980s resulted from the Reagan administration’s lowered tax rates and deregulation, Professor Friedman said. But then the tide turned again. The expansion, he argued, was halted when President [George H. W. Bush](#) imposed a “reverse-Reaganomics” tax increase.

What was worse, by the mid-1980s, as the finance and banking

industries began undergoing upheavals and money began shifting unpredictably, Mr. Friedman's own monetarist predictions — of what would happen to the economy and inflation as a result of specific increases in the money supply — failed to hold up. Confidence in his monetarism theory waned.

Prof. Robert Solow of M.I.T., a Nobel laureate himself, and other liberal economists continued to raise questions about Mr. Friedman's theories: Did not President Reagan, and by extension Professor Friedman, they asked, revert to Keynesianism once in power?

“The boom that lasted from 1982 to 1990 was engineered by the Reagan administration in a straightforward Keynesian way by rising spending and lowered taxes, a classic case of an expansionary budget deficit,” Mr. Solow said. “In fairness to Milton, however, it should be said that one of the reasons for his wanting a tax reduction was to force the spending cuts that he presumed would follow.” Professor Samuelson said that “Milton Friedman thought of himself as a man of science but was in fact more full of passion than he knew.”

Mr. Friedman remained the guiding light to American conservatives. It was he, for example, who provided the economic theory behind “prescriptions for action,” as his onetime professor, Jacob Viner, put it, like the landslide Republican victory in the off-year Congressional elections of 1994.

By then Professor Friedman had grown into a giant of economics abroad as well. He was sharply criticized for his role in providing intellectual guidance on economic matters to the military regime in Chile that engineered a coup in the early 1970s against the democratically elected president, Salvador Allende. But for Mr. Friedman that was just a bump in the road.

In Vietnam, where the Constitution was amended in 1986 to guarantee the rights of private property, the writings of Mr. Friedman were circulated at the highest levels of government. “Privatize,” he told Chinese scholars at a meeting at Fudan University in Shanghai; and he told those in Moscow and elsewhere in Eastern Europe: “Speed the conversion of state-run enterprises to private ownership.” They did.

Mr. Friedman had long since ceased to be called a flat-earther by anyone. “What was really so important about him,” said W. Allen Wallis, a former classmate and later faculty colleague at the University of Chicago, “was his tremendous basic intelligence, his ingenuity, perseverance — his way of getting to the bottom of things, of looking at them in a new way.”

Louis Uchitelle and Edmund L. Andrews contributed reporting.

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