Alumni

Right on the Money

Remembering Milton Friedman '46GSAS.

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Milton Friedman, circa 1946 (Columbiana).

Milton Friedman ’46GSAS, who died November 16 at age 94, was one of the most influential economists of the 20th century, known primarily for the monetary-policy studies he conducted in the late 1960s. Friedman cut against the grain of economic thinking at the time, arguing that government measures that aim to stimulate the

economy or to drive down unemployment — lowered interest rates, slashed taxes, or the construction of public works — accelerate inflation in the long run. He believed that the dominant force shaping the economy is the amount of money in circulation, and that the Federal Reserve Bank can control inflation only by slowly and steadily increasing the money supply. Governments otherwise can best help the capitalist economy, he said, by leaving it alone.

For rejecting the interventionist economic models that prevailed in the 1960s, Friedman was widely derided as an “economic flat-earther.” But by the 1970s, as prevailing theories failed to explain the unprecedented combination of rising inflation and rising unemployment, he came to be seen as prescient. Friedman’s work, in hindsight, seemed to have predicted the new phenomenon called stagflation. Stimulative government policies dating back to the New Deal had gone too far, his research suggested, disrupting the natural movement of resources to where they were most needed. Friedman was awarded the Nobel Prize in economics in 1976 while a professor at the University of Chicago, where he spent most of his career. His ideas eventually influenced the conservative monetary policies of President Ronald Reagan and Prime Minister Margaret Thatcher of Britain, and inspired resistance to communism in the Eastern Bloc.

Friedman was a free-market proponent from his days at Morningside Heights. His Columbia dissertation, *Income From Independent Professional Practice*, published as a book in 1945 with his thesis advisor Simon Kuznets ’23CC, ’26GSAS, argued that the American Medical Association had the power of a governmental regulatory body and that it artificially limited the number of licensed physicians in order to boost doctors’ profits. This increased patient costs, Friedman and Kuznets said, and hurt the quality of care. (Kuznets would win the Nobel Prize in economics in 1971.)

Friedman’s deep skepticism of government regulation also informed his lifelong political activism. He advocated for the legalization of marijuana and prostitution, he lobbied against environmental regulations, and in the 1950s he was among the first to argue that the poor should receive school vouchers to attend private schools.

“What most people really object to when they object to a free market is that it is so hard for them to shape it to their own will,” Friedman wrote in 1961 in *The New Liberal’s Creed*. “The market gives people what the people want instead of what other people think they ought to want. At the bottom of many criticisms of the market economy is really lack of belief in freedom itself.”

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