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We're In Milton Friedman's World

The web is awash in well-deserved tributes to Milton Friedman on what would have been his one hundredth birthday. Friedman's *Free to Choose* was one of the first books on public policy I read in high school, and it has had an immense effect on how I view the world.

Some of Friedman's policy proposals, such as school vouchers and drug legalization, are still hotly debated today. But I think the most important measure of a thinker's influence are his once-controversial ideas that are now considered so obvious that no one seriously disputes them. I've recently been reading a collection of Friedman's *Newsweek* columns from the late 1960s and early 1970s, a time when he was at the peak of his fame and influence. Among the proposals he wrote about most frequently were: severing the link to gold and letting the dollar float, fighting inflation by reducing the growth of the money supply, ending the draft, abolishing wage and price controls, and cutting taxes.

Most of these proposals were adopted by the end of the 1970s. All are still practiced today. But more remarkably, they're all now considered so obviously correct that few people seriously advocate returning to the policies of the 1970s.

Obviously, some of these policies are still debated at the margin. We still have a minimum wage and New York still has rent controls. But I can't remember the last time someone has seriously advocated bringing back the broad-based price controls that were undertaken by the Nixon administration in 1971. Similarly, we're currently debating whether to raise the top marginal income tax rate from 35 percent to 39.6 percent, but it's hard to think of anyone in a position of influence who thinks we should return to the 70 percent top rate of the 1970s.

Friedman's influence is most obvious in monetary policy. He was one of the first people to predict, correctly, that a system of freely floating exchange rates, unconnected to gold, would work just fine. Today, *both* sides of the monetary policy debate are increasingly claiming Friedman's mantle. The Federal Reserve is full of inflation hawks who see themselves as continuing the legacy of the 1970s Milton Friedman. Opposing them are the market monetarists who see themselves as the heirs to Milton Friedman's earlier work, in which he argued that the Great Depression was caused by too-tight monetary policy. In my view, Friedman would be siding with the doves today, but either way it's remarkable that Friedman's worldview has become the conventional wisdom against which people frame their monetary policy arguments.