

# MasterResource

A free-market energy blog

## Milton Friedman's 100th: Exploring His Wisdom for the Ages (Part II: Energy)

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“Economists may not know much. But we know one thing very well: how to produce surpluses and shortages. Do you want a surplus? Have the government legislate a *minimum* price that is *above* the price that would otherwise prevail... Do you want a shortage? Have the government legislate a *maximum* price that is *below* the price that would otherwise prevail.”

– Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1979), pp. 219.

“It is a mark of how far we have gone on the road to serfdom that government allocation and rationing of oil is the automatic response to the oil crisis.”

– Milton Friedman, “Why Some Prices Should Rise,” *Newsweek*, November 19, 1973.

Milton Friedman is best known for his monetary economics, [Monetarism](#), a school of economics that challenged and largely defeated [Keynesianism](#). “By century’s end, [stated](#) Paul Krugman in the *New York Review of Books*, “classical economics had regained much though by no means all of its former dominion, and Friedman deserves much of the credit.”

But as Friedman became a public intellectual, writing popular books and writing his biweekly *Newsweek* columns, he became conversant in different fields, including energy. And energy, and [Harold Hotelling's fixity/depletion model](#) in particular, became the rage of applied economics in the energy-troubled 1970s.

Friedman's harsh negative reaction to President Nixon's wage and price control order of August 1971 is particularly important for the energy debate, for [this action](#) (and not the Arab Embargo) created the oil shortages that led to a decade of oil regulation and misery from U.S. consumers.

Friedman's salient quotations on energy, at least what I have been able to find, are presented below. (Perhaps readers can add to this compilation in the comments section

below.) For additional thoughts of Friedman on energy, see the MasterResource post, [Milton Friedman on Mineral Resource Theory](#).

### **Energy Economics**

“I do not believe there is a natural resource economics. I believe there is good economics and bad economics.”

– Milton Friedman to Robert Bradley, September 8, 2003

### **Energy Depletion**

“[Oil, gas, and coal are] producible … at more or less constant or indeed declining cost because of the improvements in the technology of drilling and exploring and so on.”

– Milton Friedman, “The Energy Crisis: A Humane Solution” (Cato Institute: 1978).

### **Protectionism (*Think Wind and Solar too*)**

“The infant industry argument is a smoke screen. The so-called infants never grow up. Once imposed, tariffs are seldom eliminated.”

– Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1979), pp. 5–6.

### **Nixon’s Price Control Order: August 15, 1971**

I regret exceedingly that he decided to impose a ninety-day freeze on prices and wages. That is one of those ‘very plausible schemes … with very pleasing commencements, [that] have often shameful and lamentable conclusions’.”

– Milton Friedman, “Why the Freeze is a Mistake,” *Newsweek*, August 30, 1971.

“Individual price and wage changes will not be prevented. In the main, price changes will simply be concealed by taking the form of changes in discounts, service, and quality, and wage changes, in overtime, perquisites and so on…. But to whatever extent the freeze is enforced, it will do harm by distorting relative prices.”

– Milton Friedman, “Why the Freeze is a Mistake,” *Newsweek*, August 30, 1971

“By encouraging men to spy and report on one another, by making it in the private interest of large numbers of citizens to evade the controls, and by making actions illegal that are in the public interest, the controls undermine individual morality.”

– Milton Friedman, “Morality and Controls,” *Newsweek*, October 28, 1971.

## 1970s Energy Crisis

“It is a mark of how far we have gone on the road to serfdom that government allocation and rationing of oil is the automatic response to the oil crisis.”

– Milton Friedman, “Why Some Prices Should Rise,” *Newsweek*, November 19, 1973.

“The present oil crisis has not been produced by the oil companies. It is a result of government mismanagement exacerbated by the Mideast war.”

– Milton Friedman, “Why Some Prices Should Rise,” *Newsweek*, November 19, 1973.

“Lines are forming at those gas stations that are open. The exasperated motorists are cursing; the service-station attendants are fuming; the politicians are promising. The one thing few people seem to be doing is thinking…”

“How can thinking people believe that a government that cannot deliver the mail can deliver gas better than Exxon, Mobil, Texaco, Gulf, and the rest?”

– Milton Friedman, “FEO and the Gas Lines,” *Newsweek*, March 4, 1974.

“The long gasoline lines that suddenly emerged in 1974 after the OPEC oil embargo … and again in the spring and summer of 1979 after the revolution in Iran, [came after] a sharp disturbance in the supply of crude oil from abroad. But that did not lead to gasoline lines in Germany or Japan, which are wholly dependent on imported oil. It led to long gasoline lines in the United States, even though … for one reason and one reason only: because legislation, administered by a government agency, did not permit the price system to function.”

– Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1979), p. 14.

“There is one simple way to end the energy crisis and gasoline shortages tomorrow—and we mean tomorrow and not six months from now, nor six years from now. Eliminate all controls on the prices of crude oil and other petroleum products.”

– Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1979), pp. 219.

## Shortages and Surpluses: Theory to Practice

“There has been an energy crisis because government created one. Of course, government has not done so deliberately. Presidents Nixon, Ford, or Carter never sent a message to Congress asking it to legislate an energy crisis and long gasoline lines. But he who says A must say B. Ever since President Nixon froze wages and prices on

August 15, 1971, the government has imposed maximum prices on crude oil, gasoline at retail, and other petroleum products.

Economists may not know much. But we know one thing very well: how to produce surpluses and shortages. Do you want a surplus? Have the government legislate a *minimum* price that is *above* the price that would otherwise prevail. That is what we have done at one time or another to produce surpluses of wheat, of sugar, or butter, or many other commodities.

Do you want a shortage? Have the government legislate a *maximum* price that is *below* the price that would otherwise prevail. That is what New York City and, more recently, other cities have done for rental dwellings, and that is why they all suffer or will soon suffer from housing shortages. That is why there were so many shortages during World War II. That is why there is an energy crisis and a gasoline shortage.”

– Milton and Rose Friedman, *Free to Choose* (New York: Harcourt Brace Jovanovich, 1979), pp. 219.

**Energy: The Master Resource (endorsement)**

“This splendid book effectively debunks the widespread predictions of energy doom. Its factual base is comprehensive, its exposition clear and straightforward, and its economic reasoning sound.”

(1994 book coauthored by Bradley and Richard Fulmer)