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Milton Friedman was peerless until he met his wife

Without two brave and brilliant thinkers from Chicago, the world would be far worse off

By John Blundell | July 30th, 2012

The 100th anniversary of Milton Friedman's birth is being celebrated the world over. And those who knew Milton will also raise a glass to his wife, the Ukraine-born Rose Director Friedman, who was never quite sure of her exact date of birth. Theirs was a remarkable partnership, dating from a graduate class in price theory at the University of Chicago in 1932 to his death in 2006 (she lived to 2009). Indeed, when Milton received the Nobel Prize in Economics in 1976, Rose was asked if she felt overshadowed. "No," she replied, "I've always felt that I'm responsible for at least half of what he's gotten."

They discussed ideas all the time. It was an "extremely close intellectual fellowship", remarked a Chicago colleague, Gary Becker, who won the Nobel in 1992. "Her feelings about the importance of private markets and opposition to big government were even stronger than his," he added. The economist George Schultz once commented that there was a saying at Chicago: "Everyone loves to argue with Milton, particularly when he isn't there."

Their contribution was immense, from monetary theory to the undermining of Keynesian economics; from policy ideas such as education vouchers to the abolition of the draft; and their popular books *Capitalism and Freedom* (1962) and *Free to Choose* (1980), with its attendant 10-part hit TV series, shown in every Western country except France, as well as Japan. These two books introduced new generations to ideas about liberty and its twin of personal responsibility, with private property rights and free markets under the rule of law.

To Ed Crane, co-founder of the Cato Institute, the influential Washington DC think tank, *Free to Choose* "really kick-started the classical liberal movement in the United States" as it inspired many people about "the dynamics of a free and open society". To the Queen, as the Friedmans boarded *The Royal Yacht Britannia* in San Francisco's harbour, it was, "I know you! Philip is always watching you on telly!" And to the Friedmans themselves there was the great satisfaction of hearing of samizdat copies of both books circulating behind the Iron Curtain.

Above all, it was Milton's genius to make it respectable once more to discuss ideas about liberty and markets in polite society. His overarching geniality, his immense intelligence, his quick but courteous and often witty responses and his obvious concern for the poor, the consumer, and for education and health policy earned him many converts and armies of followers.

To many professional economists, his Theory of the Consumption Function (1957) was his greatest achievement, as it fundamentally undermined Keynesian economics. He later called this revelation "embarrassingly obvious".

Keynes had hatched an equation for the "propensity to consume" as part of his model and from this he derived the "multiplier". Milton wrote that the latter "professes to tell how many dollars will be added to the total income by an extra dollar of investment or government deficit spending". In the Keynesian model, what you earn in a month is what you spend in a month. But Milton knew from Rose's work in household consumption data that this was just not true. Your expected lifetime income is far more important than any sudden windfall or dip in income.

Outside the ivory tower, it is monetary theory with which many associate Milton's name. He taught us that inflation in the long run is always and everywhere a monetary phenomenon; monetary incontinence leads to inflation. And his monumental *A Monetary History of the United States 1867-1960* with Anna Schwartz showed that the Great Depression was caused by poor policies at the Fed and not by greedy Wall Street operators.

Milton's greatest pride lay in serving President Nixon at the height of the Vietnam War on the Commission on an All-Volunteer Force; he convinced his 14 fellow commissioners to vote 15 to zero to scupper the draft and go for a professional, all-volunteer military. "Mercenaries," thundered witness General Westmoreland. "Better than slaves," countered Milton.

For their last 15 years together, they focused on education vouchers, creating in 1996 the Milton and Rose D Friedman Foundation to study this issue. They were totally against the idea of the government running the schools and allocating places primarily by address, arguing that you should subsidise the customer (parents and children) and not the producers (the schools and their highly unionised teachers). Empower the customer and you will achieve very different results.

Milton accurately predicted in the late 1990s that within 15 years the eurozone would be in a severe crisis. Were he with us today, the deficits in the US and elsewhere would concern him – as would quantitative easing and Obama's health care reforms. Told that 50 per cent of Americans pay no federal taxes and that 70 per cent are net consumers of government goods and services, he would be worried. But the idea of vouchers has spread from Chile to Sweden, conscription

is rare and perhaps the next big Friedmanite change will be drug policy liberalisation.

Overall, I think he would be bouncy and enthusiastic about the future for freedom around the world. He was always the optimist.

Here's to you Milton, and also you, Rose.

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