

Lucky Pair (Book Review)

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I've been a fan of Milton Friedman since age 17, when, fresh from reading Ayn Rand, I ran across a Newsweek column of his titled, "The Public Be Damned." Friedman, then a University of Chicago economist, wasn't writing about robber barons. It was the U.S. Post Office, he argued, that was damning the public; he advocated ending its legal monopoly. After reading every past Friedman column I could find, I was hooked. Here was a guy who wrote and thought clearly about economic freedom and, at the same time, was not a fringe player. He convinced me by example that one could be an advocate for freedom and still be part of mainstream society.

The next summer I worked in a mine in northern Canada, and I sometimes hitchhiked 80 miles round-trip to get the latest Newsweek containing Friedman's column. When I was 19, I knocked on his campus door, and he visited with me for 15 minutes, giving me some fatherly career advice. Now Milton and his economist wife and sometime co-author, Rose, have completed their memoirs, *Two Lucky People*. (Some of the book's sections are attributed to Milton, some to Rose, and some to both.) I have been awaiting *Two Lucky People* eagerly since 1990, when Milton first told me about it. It was with real anticipation that I opened the book to page one.

That was a mistake. As much as I love and appreciate both Friedmans, I found their recollections of their early life uninteresting. Disappointed, I put the book aside. But a few weeks later, I turned to the chapters on the 1960s. The Friedmans' stories about the '60s were fascinating. I jumped to the next interesting-sounding part, about the University of Chicago, then to their time in Washington during the war, and so on until finally I had read the entire book and even found myself wishing for more. I recommend starting the book at about page 91.

The '60s were a decade of intense activity and achievement for the Friedmans. Milton, working with Rose, completed *Capitalism and Freedom*, which is more subtle and nuanced than their more popular 1980 book, *Free to Choose*. Milton

advised presidential candidates Barry Goldwater and Richard Nixon on economic issues. He and Anna Schwartz finished *The Monetary History of the United States*, which opened many economists and noneconomists to the idea that the Federal Reserve Board had played a major role in causing the Great Depression. During those years Friedman became an outspoken opponent of military conscription, and served on the Nixon commission that almost unanimously endorsed an end to the draft. It was in 1966 that Friedman started his tri-weekly column for *Newsweek*.

Along with the achievements on display in these memoirs are the strengths of character that lay behind them. Among the most attractive of these strengths is the Friedmans' willingness to speak truth to power. Milton tells of visiting the White House in September 1971, a month after Nixon imposed comprehensive wage and price controls. His friend and former colleague George Shultz was in charge of administering the controls. As Friedman got up to leave his meeting with Nixon and Shultz, Nixon volunteered that wage and price controls were a monstrosity and that they would get rid of them as soon as possible, adding, "Don't blame George for this monstrosity." "As I remember it," writes Friedman, "I replied something like, 'I don't blame George. I blame you, Mr. President.'"

The story also illustrates Milton Friedman's capacity to make important distinctions and judge accordingly. Just two months after his White House meeting, I attended a libertarian conference at Columbia University at which many in the audience were trying to push Friedman to attack Nixon. Friedman denounced Nixon for the price controls but wouldn't go beyond that, insisting that we give credit to Nixon for trying to end the draft. Friedman's complete unwillingness to pander to his audience set an example that I have never forgotten.

One of Milton's most admirable traits is his willingness to share credit with those around him, and this too has found its way into the book. Friedman tells about a four-day conference on the draft at the University of Chicago in 1967. The proceedings are in *The Draft*, edited by Sol Tax, a book I read cover to cover in my late teens. One speaker at the conference was Walter Oi, a 38-year-old economist who, as a 12-year-old California Nisei, had been imprisoned by the U.S. government at the outbreak of World War II. During graduate school, Oi

became blind as the result of a degenerative disease. (In the late 1970s, Oi was my colleague at the University of Rochester, where he is still on the faculty.) Friedman writes of Oi:

"A convinced libertarian, he strongly opposed the draft. At the conference he gave an eloquent paper presenting the case for ending the draft on grounds of both principle and expediency. The impact was dramatic. Here was a blind man, enormously impressive simply for his capacity to prepare a cogent, closely argued, and fully documented paper. He conveyed a clear sense of moral outrage on an issue about which he had no conceivable ax to grind. To me, it was the high point of the conference."

But there are drawbacks to the book aside from its slow opening chapters. When I read an autobiography of an intellectual, I expect to learn which key experiences helped form his or her views. Here were two people who grew up in Jewish-American households in the 1910s and 1920s and were not quite adults when the Great Depression began. Many prominent Jewish intellectuals of that generation turned left.

By contrast, Milton Friedman was to devote a chapter of *Capitalism and Freedom* to the way in which market economies weaken patterns of persecution, and was to address the issue of Jewish attitudes toward capitalism in a 1972 address to the Mont Pelerin Society (reprinted years later in *Encounter*.) Pro-market Jews, he stated then, are "regarded not only as intellectual deviants but also as traitors to a supposed cultural and national tradition." Friedman went on to make a powerful case for the emancipatory benefits that Jews had derived from the market.

The Friedmans have won their argument; pro-market Jews are no longer intellectual outsiders. I would have been interested in learning in what way the events of the Friedmans' lives shaped their own belief in freedom. After reading their book, I don't have much more of a clue than when I began.

Even more strikingly, Milton doesn't talk much about how his views evolved during graduate school or after he completed his Ph.D. Yet evolve they did. Most notably, his views on the causes of inflation changed dramatically. The Milton

Friedman that most of us know about is the one who said, in a famous 1968 debate with Keynesian economist Walter Heller, "the state of the budget by itself has no significant effect on...inflation" and who wrote in 1963, "Inflation is always and everywhere a monetary phenomenon." By contrast, here's what Friedman says about testimony he gave as a Treasury economist in 1942: "The most striking feature of this [testimony] is how thoroughly Keynesian it is. I did not even mention 'money' or 'monetary policy'! The only 'methods of avoiding inflation' I mentioned in addition to taxation were 'price control and rationing, control of consumers' credit, reduction in governmental spending, and war bond campaigns.'"

What happened between 1942 and the early 1950s that changed Friedman's mind? Maybe the explanation is simply that he gathered data that persuaded him of the power of monetary policy. But in most intellectual autobiographies I have read, there's one event, piece of evidence, story, conversation, or argument that starts the process of change. Friedman mentions no such epiphany.

While Friedman's defense of freedom was initially pragmatic, over the years he has increasingly emphasized moral arguments. His approach to price controls illustrates the shift. A pamphlet that he co-authored with George Stigler, "Roofs or Ceilings," leads off the argument against rationing of rent-controlled apartments by the Office of Price Administration as follows: "The defects in our present method of rationing by landlords are obvious and weighty. They are to be expected under private, personal rationing, which is, of course, why OPA assumed the task of rationing meats, fats, canned goods, and sugar during the war instead of letting grocers ration them."

This passage, among others, led Ayn Rand to write a letter to the publisher, Leonard Read, complaining that the pamphlet "advocates the nationalization of private homes." It's also probably why Rand never recommended anything Friedman or Stigler ever wrote, a serious failing on her part. But although Rand was incorrect in saying Friedman and Stigler advocated nationalizing homes, she had a point: Friedman and Stigler never mentioned that rent controls violate landlords' property rights. In 1971, by contrast, Friedman was to call price controls "immoral."

Was the omission of morality in 1946 due to Stigler, who was never comfortable

talking about rights? Did Friedman think that he couldn't discuss rights in the intellectual environment of the time? Quite possibly the latter, because, as Friedman has often said, in the late 1940s the intellectual world was substantially more hostile to freedom than it has been since. Also, Friedman was a Jew without tenure, and anti-Semitism at the University of Wisconsin before the war had cost him his job. Indeed, before World War II, strange as it now sounds, Jews were almost nonexistent in academia. Friedman may have been justifiably wary of defending property rights forthrightly. Context is important. Unfortunately, neither Milton nor Rose gives the context.

Still, *Two Lucky People* has many strengths. One is the pithy comments it offers on various people. As a Treasury economist, for example, Friedman was assigned to explain national income accounts to Sen. Robert A. Taft, the famous conservative known as "Mr. Republican." Writes Friedman: "He proved to be an apt student. I would rank him with Richard Nixon as one of the intellectually ablest political figures with whom I have had close contact. He would have been an outstanding member of any university." About George Bush, by contrast, Milton writes, "I believe that Reagan made a mistake when he chose Bush as his vice-presidential candidate--indeed, I regard it as the worst decision not only of his campaign but of his presidency."

The book's other main strength is that it shows the Friedmans going through life enjoying themselves and keeping their fame in perspective. So many famous people expected to be treated better than those of us who are not famous. Through the whole book, you never get the idea that this is the Friedmans' view. One of my favorite stories is Rose's telling of their being thoroughly searched by a U.S. Customs official on their return from traveling abroad. While rifling through Milton's wallet, the official found Milton's business card and suddenly became "respectful rather than overbearing. We were as annoyed by his change in demeanor on recognizing Milton's name as by being singled out for close examination without being informed what if anything we were suspected of," writes Rose. How refreshing that the two Friedmans care, not about their own privileges, but about everyone's rights.

In 1983, three years after the series *Free to Choose* was shown on television, the Friedmans met Queen Elizabeth at a party on her yacht, *Britannia*. Rose, instead

of oohing and aahing about royalty in her account, shows the Friedmans and the queen with their feet on the ground. Rose writes, "When it came Milton's turn to be introduced to the queen while going through the receiving line, she remarked, "I know you. Philip is always watching you on the telly."