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Why Is There No Milton Friedman Today?*

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Abstract
There is no Milton Friedman today. There is unlikely to be another Milton Friedman tomorrow. And that is OK. Indeed, it is a product of the progress Friedman and others have made to advance the cause of limited government and free exchange.

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A little over a decade ago, the Mercatus Center at George Mason University organized a symposium centered on the following question: why is there no Milton Friedman today? The symposium featured contributions from a range of scholars, including John Blundell (2013), David Colander (2013), Tyler Cowen (2013), Richard Epstein (2013), James K. Galbraith (2013), J. Daniel Hammond (2013), David R. Henderson (2013), Daniel Houser (2013), Steven Medema (2013), Sam Peltzman (2013), Richard Posner (2013), and Robert Solow (2013). The question resurfaced in December 2023, following the death of Robert Solow.[1] But I suspect it seemed worth asking again for other reasons, as well.

The past six years have been marked by poor policies in the United States—policies Friedman almost certainly would have

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[1] Solow (2013, p. 215) took an especially negative view of Friedman: "I'm glad there is no Milton Friedman anywhere on the political-economy spectrum today. I think that Milton Friedmans are bad for economics and bad for society. Fruitless debates with talented (near-)extremists waste a lot of everyone's time that could have been spent more constructively, either in research or in arguing about policy issues in a more pragmatic way. I suppose that such debates also help to clarify implicit assumptions and shady arguments, but I think that is a small benefit compared with the cost in sheer hassle."

opposed. We have witnessed the return of protectionism. Tariffs, first imposed by President Trump in 2018, have continued under President Biden. Then there was the pandemic response. State and local governments imposed significant restrictions on economic activity while the federal government cut checks to nearly every American with a pulse. And, as if all of that were not enough, the Federal Reserve fell asleep on the job. It failed to offset a surge in nominal spending in 2021 and 2022, which pushed prices permanently higher.

Globally, the situation is even worse, of course. Authoritarianism is on the rebound. China has established a digital panopticon, monitoring and censoring its citizens to an extent that was not possible under the Stasi or the KGB. And its efforts are no longer confined to the mainland: it has significantly eroded civil and economic liberties in Hong Kong. Meanwhile, Russia wages war in Ukraine and silences dissidents at home. And Afghanistan is once again controlled by the Taliban, which has significantly curtailed the ability of women to work and girls to go to school.

In this context, the question—why is there no Milton Friedman today?—appears to be less of an academic inquiry and more of an expression of disappointment—and, perhaps, hopelessness. The absence of Friedman or someone like him—someone to make a persuasive case for limited government and free exchange—seems to imply that the world is worse than it otherwise would be, and may become even worse than it already is.

I hope to accomplish two things here. First, I want to dissuade you of this pessimistic view. The world is much better today than it was when Friedman penned *Capitalism and Freedom* in 1962. To deny that is to disavow Friedman's legacy. Second, I want to acknowledge that those of us in favor of limited government and free exchange still have a lot of work to do, and I suggest how we might go about it.

I. Looking Back

Enough with the doom and gloom. By historical standards, the world is actually doing quite well. The average person is freer and richer today than she was sixty years ago. And many of the radical policy ideas advanced by Friedman either have been adopted or are well within the Overton window in the United States today.

Let's start with the big picture. Friedman (1962, p. 8) famously argued that economic freedom plays "a dual role in the promotion of a free society": "On the one hand, freedom in economic arrangements is itself a component of freedom broadly understood, so economic freedom is an end in itself. In the second place, economic freedom is also an indispensable means toward the achievement of political freedom."[2] At the time, no one was measuring economic freedom. But Murphy and Lawson (2018) estimate that the average country's level of economic freedom was 5.38 in 1960 and 5.42 in 1965. In 2021, the average country's level of economic freedom was 6.77 (Gwartney et al. 2023).

To get a sense of the change for the average *individual*, consider the changes in large countries—namely, China and India. With its Great Leap Forward coming to a close and its Cultural Revolution about to kick into high gear, China scored just 3.56 in 1960 and 3.67 in 1965. India, which by that time had replaced the British Raj with the Permit Raj, scored 5.75 and 5.49. In 2021, China and India scored 6.18 and 6.62, respectively. Both countries remain in the bottom half of the distribution. But their citizens enjoy higher levels of economic freedom today than the citizen of the average country did in 1962—and by a wide margin.

Living standards are also much higher today. According to the World Bank, global GDP per capita was just $3,818 (2015) in 1962. In 2022, it was $11,319 (2015). Extreme poverty has declined from 41 percent in 1984, the first year for which data are available, to just 9 percent today. Child mortality declined from 170 deaths per 1,000 births in 1962 to around 35 in 2023 (Klara and Mattias 2020). As a father of two boys, who are both under five, it is difficult to imagine a more important change in the standard of living than that. But literacy rates have improved, air quality is better, international travel is cheaper, and so on. The big picture is clear: we live in a much freer (and, consequently, a much richer) world than existed when Friedman published *Capitalism and Freedom*.

Next, let's consider some narrow policy areas in the United States. It is difficult to convey how radical *Capitalism and Freedom* was at the time of its publication. Remember: the 1960s was the heyday of Samuelsonian economics. At the micro level, government tinkering was thought to remedy externalities. At the macro level, government tinkering was thought to deliver full employment. Friedman, who generally opposed government tinkering, was

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[2] On the relationship between economic freedom and political freedom, see Lawson and Clark (2010) and Benzecry et al. (2023).

squarely outside of the orthodoxy.[3] That is no longer the case. Today, many passages in *Capitalism and Freedom* could be mistaken for those in a standard undergraduate economics textbook. Friedman's view became the mainstream view—and, in many ways, remains so today.[4]

Perhaps the clearest example of a narrow policy victory is the negative income tax. Friedman (1962, p. 192) described the advantages succinctly:

> It is directed specifically at the problem of poverty. It gives help in the form most useful to the individual, namely, cash. It is general and could be substituted for the host of special measures now in effect. It makes explicit the cost borne by society. It operates outside the market. Like other measures to alleviate poverty, it reduces the incentives of those helped to help themselves, but it does not eliminate the incentive entirely, as a system of supplementing incomes up to some fixed point would. An extra dollar earned always means more money available for expenditure.

In the time since, most of those advantages have been realized. President Ford introduced the Earned Income Tax Credit in 1975, and it has been expanded under both Democratic (in 1990, 1993, and 2009) and Republican (in 1986 and 2001) administrations in the time since. As a result, the Earned Income Tax Credit is one of the largest antipoverty programs in the United States today.

School choice is another example. "If present public expenditures on schooling were made available to parents regardless of where they send their children, a wide variety of schools would spring up to meet the demand," Friedman (1962, p. 91) wrote. "Parents could express their views about schools directly by

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[3] As Peltzman (2013, p. 206) writes, Friedman "only achieved broader professional respect and iconic public status after the Keynesian consensus collapsed in the 1970s. Until then he could take on the world virtually alone, and his debating skills made him the perfect counterpoint to the conventional wisdom of the day, which was interventionist to one degree or another. All-against-one makes for a good show, and Friedman liked the odds."

[4] Peltzman (2013, p. 207) reaches a similar conclusion: "Market solutions that would have been dismissed as lunacy then are given a respectable hearing or are part of the consensus today (think flexible exchange rates or unregulated railroad rates). There is just less room today for a good fight among economists. And this reflects a narrower range of controversy outside economics as well. . . . What is a committed free-market economist spoiling for a good fight to do when the other side is not so far away?"

withdrawing their children from one school and sending them to another, to a much greater extent than is now possible." It was such a radical idea at the time—but much less so today. The American Federation for Children identifies twenty-three voucher programs across thirteen states and the District of Columbia. Furthermore, twenty-one states have a scholarship tax credit program and ten states have an education savings account program. We have come a long way!

Now, given that I selected this year's conference theme, I suspect some of you are waiting for me to turn to the chapter on monetary policy. *Surely we can agree that the Federal Reserve is still running amok*, you think. Indeed, you will find few economists who have complained about US monetary policy as much as I have over the last three years. But, even in the area of US monetary policy, we have seen progress.

"The problem," Friedman (1962) wrote, "is to establish institutional arrangements that will enable government to exercise responsibility for money, yet at the same time limit the power thereby given to government and prevent this power from being used in ways that will tend to weaken rather than strengthen a free society." Although he specifically called for a fixed-money-growth rule at the time, he left open the possibility that "we might be able to devise still better rules, which would achieve still better results" in the future. His broader point—again, quite radical at the time—was that monetary policy should be governed by a rule rather than discretion.

The idea that the Fed should follow a rule is not at all controversial today. The disagreement is over whether Fed officials should make decisions mechanically based on strict adherence to a rule, whether they should use their judgment to approximate a rule, or whether they should consult a set of rules when determining the appropriate course for monetary policy. Whereas Friedman preferred strict adherence to a rule, today's Fed officials use their judgment to approximate a rule over the longer run[5] while consulting a set of rules to make decisions from meeting to meeting.[6]

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[5] The Fed adopted an inflation target in 2012. It revised its Statement on Longer-Run Goals and Monetary Policy Strategy to indicate its inflation target was symmetric in 2016. Then, in 2020, it moved to a flexible (or asymmetric) average inflation target.

[6] The Fed reports the Taylor (1993) rule, balanced-approach rule, balanced-approach (shortfalls) rule, adjusted Taylor (1993) rule, and first-difference rule in its semiannual Monetary Policy Report to the US Senate Committee on Banking, Housing, and Urban Affairs and the US House Financial Services Committee.

Do I think the Fed has chosen the best rule? No. Its asymmetric average inflation target does not anchor expectations as well as a long-run price- level target or medium-run nominal spending target would. And it permits the Fed to respond to real shocks in a way that exacerbates undesirable macroeconomic fluctuation.

Do I think the Fed has done a good job approximating the rule it has chosen? No. The Fed was very slow to recognize the surge in nominal spending in 2021 and slow to correct the stance of monetary policy once it finally recognized the problem.

But, at the same time, we should give credit where credit is due. The Great Recession was not the Great Depression. The high inflation we have experienced over the last three years was not the Great Inflation of the 1970s. Monetary policy has gotten better. And the widespread recognition of the importance of monetary rules among economists and central bankers has contributed to that progress.

Given global improvements in economic freedom and the narrow policy victories here in the United States, why are so many fans of limited government and free exchange so pessimistic today? I think there are two reasons. First, we have experienced some backsliding. Although economic freedom scores are generally much higher than they were in the 1960s, they are a bit lower than they were just a few years ago. Meanwhile, in the United States, Americans seem less committed to our founding principles, less interested in civil discourse, and more willing to sacrifice individual freedoms for their particular conception of security.

But there is a second—more fundamental—reason for the pessimism, which my late friend Steven Horwitz identified some years ago. "A recurring theme of recent human history," Horwitz (2015) wrote, "is that the less of something bad we see in the world around us, the more outrage we generate about the remaining bits." This is not to suggest that the remaining bits are of little importance. It is merely to acknowledge that "our focus on large social and economic problems in general cause[s] us to forget the larger story of progress that is often manifested in tiny ways."

II. Looking Ahead

The disappointment (let alone hopelessness) often implied by the question—why is there no Milton Friedman today?—is unwarranted. What, then, should this question imply? In one word: success.

Friedman was an incredible scholar and a passionate defender of limited government and free exchange to a wide audience. But his star status was partly due to the lack of such defenders and the relatively undeveloped state of free market economics at the time. It is easier to stand out when you are standing alone. And it is easier to make intellectual advances across a wide variety of fields when the low-hanging fruit have yet to be picked.[7] That is no longer the case. As Epstein (2013) notes, the overall landscape has changed: it "no longer contains one single large mountain that is surrounded by foothills. Instead, it becomes a mountain range with many peaks, none of which reach the greatest heights."

Again: the lack of a single Friedmanesque figure today is a sign of success. With greater development—in both economies and economic thought—comes greater specialization and exchange.[8] It also makes the state of free market economics more robust. The success of those ideas no longer depends on a small group of intellectual giants. We have a big team with a lot of redundancies, which reduces the risk that those ideas are lost or insufficiently developed.

So, how should we proceed? I have two suggestions. First, we should recognize that we have largely won the battle of ideas and *act like winners*.[9] No one wants to follow a loser. Undue pessimism breeds a fatalist mindset. Instead, we should channel the optimism exemplified by Friedman. Once we acknowledge and celebrate the progress we have made, it is much easier to imagine—and convince others to imagine—how much better the future can be.

Second, we must focus on the future. Friedman understood this. He dedicated *Capitalism and Freedom* to his children "and their contemporaries who must carry the torch of liberty on its next lap." To whom will we pass on that torch? The answer should be obvious: our students. I doubt that is a controversial view among the members of the Association of Private Enterprise *Education*.

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[7] As Epstein (2013, p. 176) writes, the all-purpose scholar "is one that thrives in an environment in which there is not a huge base of technical knowledge that one must master in order to participate in a particular field. Once the level of sophistication goes up in any field, specialization starts to exert its influence. Niche players claim greater expertise in particular areas, and they start to push the all-purpose stars to the side." See also Cowen (2013).

[8] To be clear, the call to act like winners is not a call for complacency. We are always at risk of what Tyler Cowen calls the The Great Forgetting and therefore must continue to make the case for limited government and free exchange.

But I cannot help but wonder whether we have made sufficient investments in our best and brightest students over the last few years and, as a consequence, whether they will be as plentiful and as well suited for the task as we might hope when the time to pass that torch on comes.

When I was an undergraduate, I had the privilege to attend summer seminars hosted by the Foundation for Economic Education and the Institute for Humane Studies. I know many other members of the Association of Private Enterprise Education attended those seminars as well and would credit them, at least in part, with their early intellectual development. They were transformative.

Sadly, such seminars are much less common today. The Institute for Humane Studies has moved up the academic ladder, focusing on graduate students and early-career academics in its vast alumni network. The Foundation for Economic Education now focuses on a much larger audience: it spreads the ideas of liberty far and wide, but at the expense of the depth once realized at Irvington-on-Hudson. Both institutions are doing important work. We need people developing future torch carriers at each stage in the intellectual production process. My point is just that the shifting objectives of these institutions created a gap that has not yet been filled and that additional investments are required to fill that gap.

Here, too, I am happy to report some good news. The American Institute for Economic Research and the Stephenson Institute will host the second undergraduate Seminar in Classical Liberalism at Wabash College this summer. The Center for the Study of Public Choice at George Mason University welcomes advanced undergraduates to its Outreach Conference. Send your students to these programs! And, of course, modern technology makes it possible to form deep intellectual communities online. But we need to do more. We should build on these existing efforts and realize new possibilities by giving our time and our money in order to ensure that there are people to carry the torch of liberty in the future.

III. Conclusion

There is no Milton Friedman today. There is unlikely to be another Milton Friedman tomorrow. And that is OK. Indeed, it is a product of the progress Friedman and others have made to advance the cause of limited government and free exchange. We do not need a Milton Friedman today. We need a vast network of scholars, administrators, intellectuals, journalists, filmmakers, podcasters, fundraisers, donors, policy makers, and business leaders committed to the principles of a free society. We have that. And, with continued effort, we will ensure that network continues to grow into the future. It will not be easy. But no one is better suited to do it than us.

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