

Remembering Milton

BY ALLEN R. SANDERSON



This year marks the 100th anniversary of Milton Friedman's birth and the 50th anniversary of the publication of *Capitalism and Freedom* — which offers a great excuse to reflect on the man and his work.

The latter needs little exposition from me. Both his research and polemical writing are touchstones of modern economic thought and are hardly likely to be neglected in this anniversary year — or, for that matter, any other. But it’s fun to think about Friedman in a more personal way, to remember his influence on students, friends and faculty at the University of Chicago, many of whom have become brand-name economists in their own right.

Friedman needs no introduction, but I can’t resist. Milton (let’s drop the last-name pretense of objectivity) was born in Brooklyn, the child of Eastern European immigrants, and grew up over his parents’ store in Rahway, NJ. He went to Rutgers intending to become an actuary, but instead continued to Chicago to study economics — one of the few great universities that welcomed Jews in those days. Academic jobs were beyond scarce in 1935, when he finished his coursework. So, like many other talented economists, Milton went to work for the New Deal in Washington before stints at the National Bureau of Economic Research and the University of Wisconsin (which was, in those last years before Pearl Harbor, a hotbed of pro-German anti-Semitism). He returned to Washington in 1941 to work for the Treasury on ways to make the income tax easier to collect. (Tea Partiers, take note.)

He was now married to Rose Director, sister of the larger-than-life conservative Chicago economist Aaron Director. Milton had met Rose in a class taught by the great Jacob Viner. Professor Viner, who had trouble re-

membering names or perhaps just had a streak of OCD, sat students in alphabetical order. With no one in the class between (Rose) Director and (Milton) Friedman, the rest is history — or at least economics.

Milton spent the last two years of the war at Columbia working on military applications of mathematical statistics. Steve Stigler, a statistics professor at Chicago and the son of economist George Stigler, told me that Friedman could have been a superstar if he’d stuck with the discipline: the “Friedman Test” for assessing differences between samples remains an important contribution in the field.

Then, after a brief sojourn at the University of Minnesota, it was back to Chicago for his date with destiny. Actually, his destiny as founder of a unique brand of monetary economics had to wait a while, since he mostly taught price theory (the old name for microeconomics). Only after 1963 did he dive into macroeconomics, teaching two courses in monetary theory.



Milton the Man

Herewith, some ramblings gleaned from one-on-one conversations in late 2011 with Chicago faculty who were influenced by Milton ...

Of those who are still active at Chicago, Professor Emeritus **George Tolley** was the first to have been a student of Friedman's (not to mention a teacher of Nobel-ist Gary Becker). However, Tolley knew him best when both were on the Chicago payroll, and remembers him as a colleague who never let ideological passion trump professionalism. "I was an assistant professor and the lone person teaching Keynesian economics," Tolley recalls. "In spite of his strong feelings ... Milton insisted that students have thorough knowledge of Keynesian economics."

Gary S. Becker, the 1992 Nobel laureate: "Although I met Milton when he came to lecture at Princeton when I was an undergradu-

ate, my first real interaction with him was as a graduate student at Chicago in his two-quarter price theory course. It was a fantastic experience, one that had a profound effect on me. He used economics as a powerful tool to understand the real world."

Lester Telser, then a grad student and now an emeritus professor, met Friedman at the Cowles Commission office at the university when Friedman stopped by to look at some charts Telser had constructed of 100 years of cotton prices. Not a disciple (though Friedman was Telser's thesis supervisor), he and Friedman nevertheless shared an interest in monetary theory and the banking system, and maintained a long correspondence over the years after Friedman moved to the West Coast.

Telser took a job at Iowa State University before completing his degree. He would ride the train to Chicago regularly on weekends, and Friedman would meet him on Saturday mornings to discuss his PhD dissertation. As Lester quipped, "try getting a faculty member to meet you on a Saturday morning nowadays." (The Ames-Chicago train traffic was significant over the years, at least in one direction. Along with Telser, luminaries T.W. Schultz, D. Gale Johnson and George Stigler all taught at Iowa State before being hired by Chicago.)

Eugene Fama, who teaches at the business school and is widely considered the father of modern finance, began his graduate training in Friedman's price-theory course. He (unlike

A lesson in regulation.

COURTESY OF STEPHEN STIGER



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me and many others) was not afraid of Milton, and was willing to challenge him in the classroom – something Friedman may not have appreciated at the time. But Fama chalked it up as a sign of the times: [the Chicago School of Economics] “was under attack, so in part that created a mentality to put up the barricades.”

Fama greatly admired Milton’s rhetorical skills. Ditto Gary Becker, who recalled the year (1964-65) Friedman spent at Columbia when Gary was teaching there. Goldwater was running for president and Milton couldn’t

Friedman’s class focused on the use of economic theory in thinking about substantive economic questions of all kinds.

wait to sing his praises. “I tried to warn him, but he said that he wasn’t worried – no one had ever heard a forceful intellectual defense of the positions he was espousing and it would be easy to convince them. ... He was persistent, but not mean. He would even engage cab drivers – and continue to talk – until he had convinced them of his views.”

Telser and Fama both recalled how Friedman ran a tight ship in his money and banking workshop. A student’s paper would always be distributed in advance. But come the day, Friedman would carefully control the discussion, asking if anyone had any questions about the title of the paper, then asking if there were any questions about the first paragraph and so forth.

Robert Lucas, another Chicago Nobel, explains: “It was a time of liberalism among intellectuals. They’re more conservative now.

But Milton had to make his points to skeptics, and that included students.”

Nonetheless, Sam Peltzman (now emeritus at the business school) notes that Milton was an optimist even in the troubled times on campuses in the late ’60s and early ’70s. “He felt that good will and educating people would get them to do the right thing.”

This was the one major area of disagreement between Friedman and George Stigler. In Becker’s words: “George was far more pessimistic, arguing that you can preach all you want to but people won’t change, in part owing to the power of special-interest groups. Milton thought that if you gave people good information they’d make the right decision. I think George won that argument.”

Milton was hardly stuck in a time warp, though. According to Telser, “Milton was interested in computers right from the start. He didn’t like mathematical economics or general equilibrium modeling. But he had a high opinion of Jon von Neumann. And his *Theory of Games and Economic Behavior* [written with Oskar Morgenstern] is the one book that Milton wished he had written.”

Peltzman, who first encountered Friedman in the fall of 1960 as a first-year graduate student, remembers Friedman teaching entirely from index cards and newspapers – generally the *Wall Street Journal*. “He would come to class and read an article, a paragraph, or maybe just the title,” and then they would examine it.

Lucas explains (again): “Friedman’s class was not devoted to training us in the technical nuts and bolts of economics. He assumed that we already had been through this ... and focused instead on the use of economic theory in thinking about substantive economic questions of all kinds.”

Lucas describes classes with Friedman as “a life-changing experience. He changed my

The World According to Chairman Friedman

Concentrated power is not rendered harmless
by the good intentions of those who create it.

History suggests that capitalism is a necessary condition for
political freedom. Clearly it is not a sufficient condition.

The problem of social organization is how to set up an
arrangement under which greed will do the least harm;
capitalism is that kind of a system.

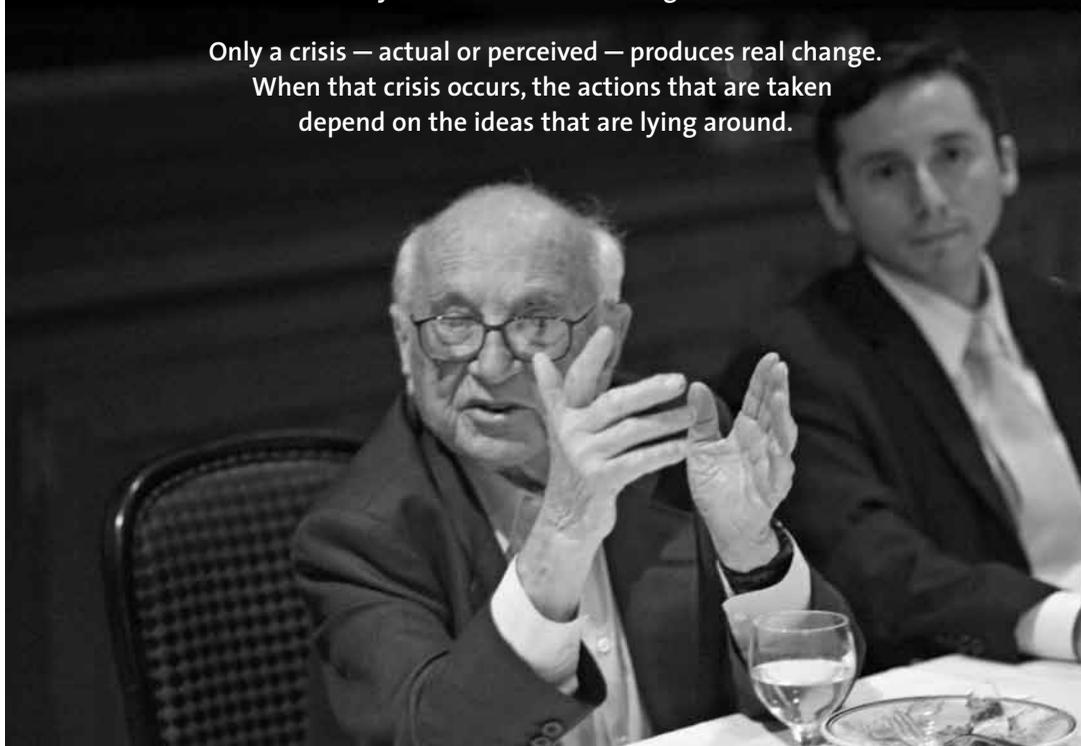
With some notable exceptions, businessmen favor free enterprise
in general but are opposed to it when it comes to themselves.

The free man will ask neither what his country can do for him
nor what he can do for his country.

The case for prohibiting drugs is exactly as strong and as weak
as the case for prohibiting people from overeating.

If you put the federal government in charge of the Sahara Desert,
in five years there'd be a shortage of sand.

Only a crisis — actual or perceived — produces real change.
When that crisis occurs, the actions that are taken
depend on the ideas that are lying around.



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viewpoint on almost everything. And it was fun! But I was scared to death of him. ... [None-theless,] he didn't make jokes at others' expense, and didn't want anyone to feel small. His courtesy was remarkable. And he was fearless!"

I met with Nobelist **Ronald H. Coase** – who, among many other things, taught me antitrust history and policy 40 years ago – a week shy of his 101st birthday. (The Chicago air seems to agree with economists, or maybe it's the style of disputation: Friedman lived to 94; T.W. Schultz to 95; Aaron Director to 102.) His only serious disagreement with Milton was over methodology – no small issue at Chicago. "I held a very different view of the worth and validity of a theory. Milton argued

that we should base our assessment on the theory's predictive power, and I argued that [what mattered] was how it affected our understanding of the workings of a system."

Nobelist **Robert W. Fogel's** office was next to Friedman's, which facilitated end-of-day conversations when they left for home at the same time. Fogel regarded Friedman as an empiricist ("to the extent he built models it was to understand the real world better") with an unrelenting belief in markets: "There will never be a computer big enough to outperform the market, Milton would always say." But Fogel says that Friedman "would acknowledge his mistakes without the slightest hesitation. ... He was hard to provoke; open-minded; catholic in his views."

Milton and Me

The closest I came personally to witnessing one of Milton's rare putdowns was when a bold student asked a question in class. Milton answered it and then turned back to his material. But the kid immediately raised his hand and said, "Can I ask another question?" to which Milton responded: "I'm sure that you can, but the relevant issue is may you?" The foil quickly answered: "Okay, then. May I ask another question?" to which Milton shot back: "No," and went on with the lecture.

A few months before his death, I sent Milton a copy of a news magazine from Poland that contained an interview with him. (One of my Polish students had given me the copy.) He wrote back on a postcard (with a drawing of David Ricardo on the front) thanking me and noting: "I enjoyed to the fullest reading what I had to say in Polish."

In 2002 I was asked by the associate dean of student services – now First Lady Michelle

Obama – to be on a panel focusing on sweatshops. Students were agitating about unfair labor practices in countries that made logo apparel merchandise. So, in typical U of C mode, we dedicated an evening to discussing the issues. It was pretty clear that the moderator and three panelists already chosen were going to be very anti-sweatshop, so Michelle was looking for someone who would present a contrarian view; I agreed to participate.

In preparing for the event, I recalled reading Milton's account of Rose's coming to America and working in what we would now refer to as a sweatshop, but never disparaging the experience. I couldn't find the passage, so I called him to ask. He wanted to know why I was interested. I explained the situation, including the fact that there would be four panelists on one side and me on the other. To which he countered: "Those aren't bad odds ... don't give an inch." **M**