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B U S I N E S S F O R U M THE MOST IMPORTANT ECONOMIST YOU NEVER HEARD OF

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Most Americans would be hard-pressed to name more than one or two actual economists. Thus, Milton Friedman, the 1976 winner of the Nobel Memorial Prize in Economic Sciences who died this past week, is largely unknown to most citizens. Anna Nicole Smith and O.J. Simpson easily are more famous, yet he was one of the most influential individuals of the 20th century. Where Karl Marx failed, Friedman succeeded, though with less fanfare.

Friedman was a staunch supporter of free enterprise and free markets. While he acknowledged that the free interplay of supply and demand sometimes generates problems, he consistently argued that the alternative – government intervention and regulation – usually produced worse results.

“Uncle Milty,” as he was affectionately referred to by many, understood the dynamic force of entrepreneurial capitalism and the ability of economic incentives and free trade to reduce poverty and improve living standards.

Friedman regarded the failure of the Soviet economic model as inevitable and provided impressive intellectual thrust to the economic ascendancy of Japan, Korea, Taiwan, Hong Kong and Singapore. These thoughts crystallized in his book “Capitalism and Freedom,” which sold more than 500,000 copies in 18 languages, and in his surprisingly popular 10-part PBS program “Free to Choose.”

Countries ranging from Estonia to Australia have deregulated industries, reduced marginal tax rates and diminished state ownership of industry. Now their economies are growing at rates far greater than those of countries in Latin America, sub-Saharan Africa and even Western Europe that have leaned the opposite direction. In 1960, Korea and Taiwan had per capita incomes similar to those of Egypt and Nigeria. Today, their per capita incomes are five to seven times larger.

Only Cuba and North Korea have rejected Friedman’s prescriptions and the state of their economies speaks volumes. There is a reason why South Korea’s per capita income today is 14 times that of North Korea’s and six times that of Cuba’s.

Few contemporary leaders dispute the general direction of Friedman’s market-oriented recommendations, though many have found them politically difficult to implement. Like castor oil, what’s good economics in the long run often has a very bitter taste in the short run. Witness Margaret Thatcher’s England.

Friedman was a prolific generator of ideas, many of which were controversial. Early on, he advocated school vouchers, private retirement investment accounts in Social Security, free-floating foreign exchange rates, a negative income tax (today’s earned income tax credit) to replace the existing welfare system, a volunteer army, decriminalizing drugs such as marijuana, flat income rates and using markets and prices to reduce air pollution. Is there anyone else who has had more to do with the formulation of today’s political and economic agendas?

Even so, Friedman won his Nobel Prize primarily for macroeconomic work that focused on the economy as a whole. His pioneering analysis of the money supply and the Federal Reserve system became identified with monetarism, the notion that stability in the growth of the money supply was the key to controlling inflation and reducing the possibility of economic recessions.

To the surprise of many, he demonstrated that reductions in the money supply by the Federal Reserve in the

1930s were the primary reason the Great Depression was so deep and lasted so long. As current Fed Chairman Ben Bernanke put it on Friedman's 90th birthday in 2002, "You're right – we did it. We're very sorry."

Though few Americans realize it, the relative lack of price inflation we have enjoyed in the United States during the past 20 years and the prosperity we have experienced are direct products of Friedman's economics.

Friedman often was labeled a conservative economist. However, he was a classical liberal who advocated individual rights and personal freedom. As such, he frequently came into conflict with conservatives and the inertia of the power structure.

Those who did not know Friedman often imagined him an ogre, but he was a gentle, balding man of many smiles who topped out at an unimposing 5 feet 4 inches. He was a nice guy and a gentleman by any standard who was without peer at disarming vociferous critics – and he had many. He was a good listener and used sharp, simple and appealing logic and powerful examples to make his points.

I'll miss Milton Friedman. However, his intellectual legacy lives on, and collectively the world is much better off for it.

■ KOCH