Milton Friedman Essay, Research Paper

Milton Friedman

Milton Friedman, like so many great life stories, was the subject of a very tough childhood. He was son to a couple of poor immigrants, born on 31 July 1912, in New York, America. At the age of fifteen, Friedman’s father died. Despite this, he won a scholarship to both Rutgers University and the University of Chicago, where he achieved a Bachelor of the Arts degree in economics. The very next year he received an MA at Chicago University. He then worked for the National Bureau of Economic Research (from 1937) while teaching at many universities, but it was only at Chicago in 1946 that he was given the title of ‘professor of economics’. Thirty years later, in 1976, he was awarded the Nobel Prize for economics, “for his achievements in the field of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilisation policy.” Through his life, Friedman has published many books, articles in newspapers and periodicals. He has also appeared on radio and television in countless interviews.

Friedman is strictly a monetarist. This means that he believed that inflation was a direct result of growth in the supply of money into an economy. His views differed however, with those of his contemporaries, in the major point that he believed that economic stability could only be reached through non-intervention on behalf of the government. This policy is often known as laissez-faire (French for ‘let things be’) economics. The policy at the time was for the government to sharply increase or decrease money supply, to counteract inflation, in an attempt to attain a stable economy. Friedman argued however, that this intervention was destabilising, and that what was needed was a steady money flow to create a basic framework for the economy; the rest should be left up to individual competition. This school of thought goes along the lines of ‘It is in the best interest of the producer to satisfy the consumers’ wishes. By doing this, they are also acting in their own interest, therefore competition is working to the benefit of the whole economy.’ In order for this competition to be present, there needs to be freedom of the individual. He boldly stated that this can only be created by minimal government regulation of the economy, which allows power to be concentrated and wielded by only a few individuals, rather than dispersed. After all, competition can only be present between companies that are on equal grounds in relation to the amount of power behind each.

The controversy surrounding Friedman’s views is that he promotes complete private ownership of nearly everything. He particularly supported private schools and thought that the government should subsidise fees for any school chosen by the parents, rather than providing government owned schools. He strongly promotes a flat rate for personal income tax and the abolition of company taxation. He promises that this would create a society in which everyone is given an equal opportunity in the business world. I disagree with him almost completely. What this really does is keeps the wealthy wealthy, and allows big businesses to prosper, leaving the smaller ones behind. By applying the same restrictions to the rich and their monopolies as to the smaller competitors, all that is really promoted is an economic freeze in which the wealthy thrive and everyone else is forced into submission, having nothing to hold back the attacks from big businesses. For example, small fast food businesses are becoming less and less common as the massive restaurant chains, in particular McDonalds, move in and take over the industry.

I do not believe either, that the government should have complete control over businesses and the economy, but an in-between, rather like Australia’s (or at least, Victoria’s) state fifteen years ago. In recent years, however the government has been selling more and more of what were previously thought of as services, such as public transport, prisons, and telecommunications to private investors. It appears that the government is sending the economy into a Friedman (laissez-faire) style society, which is probably at the will of those who already have great wealth and (and occasionally or) power (i.e. Jeff Kennett). The Government does this, only because it brings in immediate short-term revenue. I do not believe however, that this will be an overall gain for the economy in the long run.

I chose, after reading through a brief biographical description of each of the six economists and their different theories, to conduct a study of Milton Friedman. I choose Friedman in particular because I thought it might be interesting to study his extremely controversial views in greater detail, and it was.