

December 4, 2006

## **An economist's life shows the power of academic scribblers**

John LaPlante

The patron saint of think tank donors and scholars may be John Maynard Keynes, an economist who said that “Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure the power of vested interests is vastly exaggerated compared to the gradual encroachment of ideas.”

Keynes, who wrote these words in his 1936 book, *The General Theory of Employment, Interest, and Money*, was prophetic. The *General Theory* has served not only as a foundation for the modern welfare state, but for the very idea that government can and should manage the economy.

Recently, the world lost another academic who changed public policy. Milton Friedman, in many ways the opposite of Keynes, died on November 15 at the age of 94. After serving as a professor of economics at the University of Chicago from 1946 to 1977, Friedman moved to San Francisco, where he was a fellow at the Hoover Institution, a think tank. In brief, his work served as a pillar for a philosophy of minimal government and maximum personal freedom.

His work on monetary policy won him the Nobel Prize in economics in 1976. The impact on the academic discipline of economics was summed up by Lawrence H. Summers, Treasury secretary under Bill Clinton. By the time that he started to teach undergraduate students, Summers recently wrote, “Mr. Friedman’s heresies had become the orthodoxy.”

While academics still sort out the implications of Friedman’s many publications, it’s safe to say that they have shaped the Federal Reserve, and by extension, the economy at large. “The direct and indirect influences of his thinking on contemporary monetary economics would be difficult to overstate,” said Ben S. Bernanke, chairman of the Federal Reserve.

Even though Friedman was an academic, he was also passionate about communicating his ideas to policy makers and the public at large. Together with his wife Rose, a distinguished economist in her own right, he wrote opinion columns for *Newsweek*. Their book *Free to Choose* became an influential PBS documentary that advocated skepticism towards government effectiveness, and heaped praise on free markets as a better alternative. Their publications and ideas inspired dissidents behind the Iron Curtain, and are now being adopted in hitherto unlikely places such as China and Vietnam.

Friedman's influence can also be seen in specific policy areas. On the national level, he advocated ending the draft, for example. His proposal to replace a variety of bureaucracies with a single cash payment to the poor—the negative income tax—was adopted in a modified form in the earned income tax credit at both federal and state levels.

But the most significant impact of Friedman's life may be yet to come. In 1955, he called for separating the financing of education from the public schools. While he supported taxpayer funding of education, he argued that families should be given the power, through vouchers, to select the organizations that would provide the schooling of their children.

In 1996, he created the Milton and Rose D. Friedman Foundation to serve as a leading advocate for school choice. The idea is picking up force, both organizationally and in law.

Tax credits for student scholarship organizations are available in Arizona and Pennsylvania. Disabled students in Florida are able to take a voucher to public or private schools. Family tax credits for educational K-12 expenses have been enacted in Illinois, Iowa, and Minnesota. Cleveland and Milwaukee operate voucher programs for students from low-income families. Ohio gives vouchers to any students in chronically failing schools. In 1955, Friedman looked to the GI Bill as a model for K-12 education.

How long it takes for that model to become widespread is anyone's guess. But when it does happen, Milton Friedman will be acknowledged as one of its forefathers.

Keynes ended his General Theory by noting that a number of years may pass between the first announcement of an idea and its implementation. the ideas of thinkers may not take hold for years: this way. They are powerful, he said, but they are not put into place "immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil."

I suspect that at least on this occasion, Friedman and Keynes were in agreement.