My view of Friedman: The very short version.

Milton Friedman (1912-2006) was a brilliant economist. He wrote two books – *A theory of the consumption function* (1957), and *A monetary history of the United States* (with Anna Schwartz, 1963) which belong in anyone's first XI of postwar economics. He also wrote a very large number of very clever papers, again and again hitting home about the importance of money in macroeconomics, and the importance of evidence in understanding it and other matters. It is *true*, as he kept saying, that the consensus in the time he wrote under-rated money as a causal variable; and it is true that the mainstream economists of that time put themselves in some very precarious positions by being too ready to treat received theoretical arguments as if they were evidence-proof. He was also a consistent and brilliant advocate of the views that (more or less) free market systems deliver much better results than their detractors suppose, and that governments very often deliver worse ones than hoped when they intervene. Much of his thinking came across to the public, especially in the United State through hundreds of *Newsweek* articles. At about the length of a blog, he made many powerful, well-constructed arguments on the themes of the importance of money, the effectiveness of markets, and the perils of intervention.

Unfortunately, this picture of his contribution is distorted in two ways. The first – at the academic end of the matter – is that two of his most highly cited and frequently praised works are two of his worst. And they are not just amongst his worst – they are both very bad. One was *On the methodology of positive economics*. Friedman imagined he had something to say about methodology. In so far as he did, it was cobbled together from bits of Frank Knight's work, but really Friedman was far far out of his depth and since it was published in a book of Friedman's papers and so presumably could not be strangled at birth, it should have been discretely ignored. Unfortunately, one particular reading of it led to a dispute, and academia showed itself at its worst. The dispute having started it could never end. But this paper is by far the clearest example I know in economics of the Emperor having no clothes. The less said about this ridiculous essay, the better. (Which is not, of course, to say that the general direction in which he tried to point is meritless).

The second of these papers is his Presidential Address to the American Economic Association, delivered in 1967 and published in 1968, called "The role of monetary policy". It is not only bad, but careless too. It has so many little mistakes in it that it is clear that Friedman himself did not think it of any importance. It is notable too that in the years immediately following its publication, Friedman hardly cited it himself. But the poor quality of the piece really comes into view when one reads a paper from a few years later – a lecture to the American Philosophical Association – which makes the same general argument, mostly with data available at the time of the earlier essay, but does it beautifully. It is as if the Presidential Address was the first draft of this far superior work. Friedman knew the earlier piece was no good.

As it happens, it is the Presidential Address that became the routine-citation for the point that if there is ongoing inflation, it will come to be expected and incorporated in the wage bargain so that the Phillips curve is vertical in the long run. That was nowhere near original to Friedman, but nevertheless, it was this paper that started to be cited when the point was made, and in not-too-long a period economists clearly came to believe that it had been

Friedman's idea. Thus with the Phillips curve myth well-established, this paper came to be seen as the one that transformed policy and hence to be "the most influential paper in macroeconomics", as certain people put it.

The second factor that distorts the picture is the way that, around about the time of his Nobel Prize and retirement (1976) Friedman seems to have become much more interested in being a controversial media personality than in making his arguments with proper care. He started to denounce a mysterious body of idiots called "Keynesians" in ways that he never had before. He started to pretend that the relationship of money to economic activity was much closer and more reliable than his research had ever shown it was. And he joined in with the view that his Presidential Address had been a revelation to all. It is worth noting that it is only at this time that his name started to be very widely recognized by the public outside the United States. Here, I suppose, the circulation of *Newsweek*, primarily in the United States, continues to make a different to how he is seen. The jovial and quick-witted, insightful commentator that is so evident in those articles is in sharp contrast to the curmudgeonly, self-important, and often naïve Friedman who came across in the British press of the 1980s.

And unfortunately for the understanding of the postwar development of macroeconomics, we have ended up with opinions on Friedman sharply divided between two camps. There are those who see the brilliance of his early works, most of whom are also inclined to believe he was the knight who slayed "the Keynesian Phillips curve". And there are those – mainly not American – who see him as a right wing bigot purveying crude and simplistic solutions to economic problems with no regard to the realities.

The polite thing to say is that both views have merit, but the truth is that they are both thoroughly misleading. Brilliant as many of his works were, they are mostly a long way from the end of the story; and he certainly did not play the role in the demise of Keynesianism that his followers imagine. But his detractors have it all wrong as well. If they would settle down and give his serious work – most of it done before 1976 – the attention it deserves, there would be plenty for them to learn.

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