1. Introduction

Throughout the first fifteen years following the end of World War II the economics profession throughout the Western World was characterized by a touching belief in the omniscience and impartiality of government as the servant of the public good and by a cynical belief in the endemic failure of free markets to maximize social welfare as defined by the Pareto Principle supplemented by the Kaldor-Hicks-Scitovsky potential compensation test. It was also characterized by the hegemony of Keynesian economics with its support for large and fiscally interventionist governments and its contempt for monetary instruments of macro-economic intervention.

The behemoths who bestrode the economics profession throughout that period were Paul Samuelson, Kenneth Arrow, John Kenneth Galbraith, James Tobin, Robert Solow and Joan Robinson. Classical political economy was dead, buried by the Great Depression and by the writings of John Maynard Keynes (1936). Free market economics was on the ropes, with few advocates and even those forced into perpetual defense in an environment in which public choice analysis played no role. The future for economic liberty and capitalism was bleak indeed.

In a world in which free markets were systematically derided, there would be no effective role for the emergence of public choice to analyse political market failure and to even the playing field between the competing advocates of government and of free markets. First, it would be necessary for some brave soul to step forward and to clear the brush from the forest by re-formulating the case both for capitalism and for monetary policy as the fundamental basis for individual freedom. Then and only then would it be possible for the public choice revolution to begin. Such a soul was Milton Friedman, arguably the most influential economist of the twentieth century, one of that century’s greatest economic advocates of liberty, and certainly a necessary pre-condition for and harbinger of the public choice revolution.

2. The Early Years

Milton Friedman was born on July 31, 1912 in Brooklyn, New York City, the only son and the youngest of four children. His father, Jeno Saul Friedman (1878) and his mother, Sarah Ethel Landau (1881) were both born in the small, mostly Jewish town of Beregsaszaz in Carpatho-Ruthenia. Carpatho-Ruthenia was then in the Hungarian part of Austro-Hungary. After World War I, it became part of Czechoslovakia; after World War II, it became part of the USSR; after the demise of the USSR it became part of Ukraine. The town is now called Berehovo.

At the age of sixteen (1894) Friedman’s father migrated to the United States and settled in Brooklyn. His mother migrated to the United States when she was fourteen (1895). Shortly after her arrival, Friedman’s mother went to work as a seamstress in a sweatshop, a welcome opportunity for her to earn a living while she learned English and adjusted to the new country. Shortly after his arrival, Friedman’s father went into business on his own, first as a sweatshop owner, later as the owner of a retail dry goods store and an ice-cream parlor. He remained self-employed for the remainder of his life (Friedman and Friedman 1998, 20).

In these respects, both of Friedman’s parents benefited from late nineteenth century capitalism as it was practiced in the United States. Their family income was always small and uncertain and they sometimes resorted to post-dated checks. For the most part, however, the family struggled to balance its budget while investing to the best of its ability in the education of its young (Friedman and Friedman, 1998, 21).

In 1913, little more than a year after Milton Friedman’s birth, the Friedman family moved from Brooklyn to Rahway, a small town in New Jersey that served mostly as a bedroom city for commuters to New York and Newark. For most of Friedman’s youth, his mother ran the store while his father commuted to New York where he worked as a jobber or petty trader. The common language within the household was English, since this was deemed to be essential for the family to function economically in the New World. Milton Friedman never became proficient in Hungarian, but he picked up enough Yiddish to understand the conversation of adults (Friedman and Friedman, 1988, 21).

Until shortly before his bar mitzvah at the age of thirteen, Milton Friedman was fanatically religious, attending Hebrew School at the local synagogue and conforming in every detail to the complex dietary and other requirements of Orthodox Judaism. By the age of twelve, however, he decided that there was no valid basis for his religious beliefs and he shifted to complete agnosticism, becoming
fanatically anti-religious, although he did go through the bar mitzvah ceremony for the sake of his parents.

Friedman’s father suffered for many years from angina and died from a heart attack at the age of forty-nine when his son was only fifteen years of age and was preparing to enter his senior year in high school. Milton Friedman inherited this genetic defect and would have died himself in his sixties had he not benefited from the perfection of by-pass surgery techniques. Friedman’s mother and sisters worked to support the family while Milton, as the male sibling, was encouraged to complete his education.

From 1924 to 1928, Friedman attended Rahway High School, graduating with a good grounding in languages, mathematics and history. He ascribes his enduring love of mathematics to a civics teacher who put the classic proof of the Pythagorean theorem on the blackboard while quoting from the poet Keats’ *Ode on a Grecian Urn*: “Beauty is truth, truth beauty — that is all ye know on earth, and all ye need to know” (Friedman and Friedman, 1998, 24). Although the Friedman household could afford few books, the young Friedman became a voracious reader, almost exhausting the contents of the small local public library.

Encouraged by two of his high school teachers who were recent graduates of Rutgers University and by his success in competing for a partial scholarship at this then small New Brunswick college, Friedman entered Rutgers University in 1928 as a residential scholar. He worked his way through college as a part-time clerk in the men’s department of a local department store, and he earned his lunch by waiting tables at a restaurant across the street from his dormitory (no doubt this embedded in the young Friedman, through an experience that was not available to his more pampered peers, an understanding that there is indeed no such thing as a free lunch).

Together with a fellow Jewish student, Friedman also engaged in a profitable entrepreneurial venture, buying and selling second-hand undergraduate books within the campus community, in so doing, bringing upon himself the wrath of the university bookstore, whose margins he undercut. During the summer vacations, Friedman covered his living expenses by selling fireworks for the Fourth of July Celebration, and by setting up a summer school for failing high school students, teaching classes in a number of subjects at fifty cents per hour. From an early age, Friedman showed an interest in buying and selling for profit and a predilection for entrepreneurial activity, having learned from his parents to embrace the capitalist market economy.

Friedman’s original intention when entering Rutgers University was to major in mathematics with the objective of becoming an actuary. Although his actuarial results were extraordinarily good for an undergraduate, Friedman soon discovered that actuarial work was not the only paying occupation that used mathematics. Fortunately, he discovered economics and ended his degree program with the equivalent of a double major in economics and mathematics.

This decision changed his life, primarily because of his exposure to two remarkable men, Arthur F. Burns, who later would become Chairman of the Federal Reserve System and Homer Jones who later would become Vice-President of Research at the St. Louis Federal Reserve Bank. Burns inspired Friedman a passion for scientific integrity, for scrupulous accuracy in the checking of sources and for openness to criticism. Jones provided Friedman with a sound grounding in insurance and statistics, while first introducing him to the Chicago School’s pre-occupation with individual freedom.

In 1932, at the age of nineteen, Friedman graduated from Rutgers University with a degree in mathematics and economics. With the United States in the depths of economic depression and job opportunities very few, he applied for scholarships to a number of universities and received two offers of tuition scholarships, one from Brown University in applied mathematics and the other from the University of Chicago in economics. Had Homer Jones not taught at Rutgers University thus exposing Friedman to the excitement of Chicago economics, Friedman would never have applied to Chicago, or even if he had applied there he would not have received the scholarship that made it possible for him to attend. As it was, he left Rahway for Chicago in the fall of 1932, journeying west of the Delaware River for the very first time.

Studying economics at the University of Chicago was an eye-opening experience for the young Friedman. In 1932, as for the rest of the twentieth century, the Economics Department had the deserved reputation of being one of the best in the United States. Jacob Viner and Frank Knight were the acknowledged stars of the faculty. Henry Schultz, Paul Douglas, Henry Simons (who would move to the law school in 1939), Lloyd Mints, Harry A. Millis and John Nef constituted a talented supporting cast. Debate over economic issues was fierce, the intellectual atmosphere was open and the search for truth dominated scholarly discourse. Friedman was exposed for the first time in his life to a brilliant group of graduate students drawn to this vibrant intellectual atmosphere from all over the world (Friedman and Friedman, 1998, 35).

In his first quarter at Chicago, Friedman took the course on price and distribution theory taught that year by Jacob Viner. This course revealed to Friedman the logical and coherent nature of economic theory as a set of tools to be judged primarily by its usefulness in understanding and interpreting important economic events. Because the