

FRIEDMAN AND RUSSIA

Andrei Illarionov

One day I asked Milton Friedman a question. That question was in my mind every time we met: “Could he have achieved the same status he did in America if he had lived in Russia—not only in terms of his research, but in shaping his outlook on life and in his understanding of freedom?” Having kept silent for a moment, he answered: “no.”

Every time I think about his answer, two different voices start to argue inside my head. One of them is emotional and selfish and is hopeful that Friedman was wrong. And if fate was to place him in Russia, he could have achieved what he had achieved in America. He could have then made the same difference or even more. In this case I, as a Russian citizen, would have by far more chances to communicate with such a marvelous person. And my country would have a unique opportunity to grow through his knowledge. Probably in such a case my country would have been a bit different.

Another voice inside my head is rational and dispassionate and it frigidly acknowledges that Friedman was right. And that if he found himself in Russia, he would be lost to the country and the world and probably to himself as well.

Milton Friedman’s death on November 16, 2006, caused a stream of comments and memorials. Independent of who wrote them, those memoirs share respectful admiration for intellectual and personal qualities of such a remarkable person, probably the most influential

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Andrei Illarionov is President of the Institute of Economic Analysis in Moscow and a Senior Fellow at the Cato Institute. He was an Economic Advisor to Vladimir Putin.

economist of the last century. “There are many Nobel Prize winners in economics,” said Alan Greenspan, “but few have achieved the mythical status of Milton Friedman.”

Could Friedman Be a Russian Economist?

Despite political or ideological views, all commentators shared a common feeling about Milton Friedman: the world lost a great economist. And, as it was noted in mostly all eulogies, the world lost a great *American* economist. But why American? Why couldn't Milton Friedman turn out to be some other great economist? For example, a great Russian economist?

Undoubtedly, a genuine scientist does not belong to one country, but to all of mankind. In the world of academics and science, there are no national borders. But the country where a remarkable scientist, thinker, and creator lives and works can benefit from his genius like no other. This has less to do with a so-called national pride than with a hardly estimable contribution of a talented person to the development of his country through his presence in the country; his communication with his colleagues, students, or postgraduates; his appearances in the media; and his remarks on the important issues of the day.

In theory, Friedman could have become a Russian economist, or at least a Russian citizen, if his parents, Sarah Ethel Landau and Jenö Saul Friedman, who were born in Beregszász, a small mostly Jewish town in the Hungarian part of the Austro-Hungarian Empire that later became Berehovo in Transcarpathian Ukraine (Friedman and Friedman 1998: 19), did not emigrate to the United States at the end of the 19th century but instead turned out to be in the former Soviet Union. Of course, as we say in Russia, history does not accept the subjunctive mood. Once something has happened, it is an undeniable fact. But still, we could try to imagine Milton Friedman's alternative life in Russia.

The honest answer to the question of whether it would have been possible for Friedman to have had the success he did if he had lived and worked in Russia is disappointing. In the last century in the Soviet Union and Russia, there were virtually no chances for some of the world's greatest creative minds to develop, prosper, or even to survive. Although the factors that determine who will be a genius are not written in stone, there are certain objective criteria that are necessary for a person to develop his talents: good family, quality of education, the

nature of work, an intellectual circle of friends and colleagues, the ability to travel and to share knowledge with foreign colleagues, the ability to express one's opinion freely, an opportunity to think, and finally the society's general recognition of the scholar's talent and achievements.

First Years

When Friedman's family immigrated to America, their life was not easy. His father did not have permanent employment. His mother, an assistant at a tiny shop, provided for her family. In his autobiography Friedman noted, "Financial crisis was our shadow." Although Friedman won a small grant to cover his college tuition, he still had to work part-time throughout his studies to make it to the graduation—he worked as a waiter at a restaurant, an office clerk, and a small businessman.

As difficult as his first years in the United States might seem or actually were, they undoubtedly could not be compared with the hardships that Friedman and his family would have had to endure in Hungary, Czechoslovakia, Poland, Ukraine, or Russia were they to decide to stay in Europe. The First World War, collapse of the Austro-Hungarian and Russian empires, civil wars in Hungary, Ukraine and Russia, pogroms, collectivization, industrialization, the Second World War, the Holocaust, and constant famine and terror would have given Friedman only a small chance of simply surviving.

Education

But even if Friedman was incredibly lucky and was able to survive, what economic education could he have gained? What Soviet university of that time (the 1930s), or in more recent times, could offer him a degree equivalent to those the young Friedman gained from Chicago, Columbia, and Rutgers? What could be an equivalent to a job in the National Bureau of Economic Research? Which professors and researchers could he have learned from?

In his real life Friedman was very lucky. The list of his professors and tutors is impressive: Arthur Burns, Homer Jones, Jacob Viner, Frank Knight, Theodore Schultz, Lloyd Mints, Henry Simons, Wesley C. Mitchell, John M. Clark, and Simon Kuznets. Friedman got to know them before he turned 25 years old. Mostly because of such incredible luck in his life, including the luck of knowing, seeing,

and listening to such people, Milton and his wife Rose named their memoirs *Two Lucky People* (1998).

Fortune continued to smile upon Friedman. For more than three decades (1946–77), he was a professor at the University of Chicago and helped create the so-called Chicago School of Economics, whose faculty have earned more Nobel Prizes than Harvard, Cambridge, Berkeley, and Columbia combined.

But if Friedman had found himself in the former Soviet Union, he would have listened only to lectures about Marxist-Leninist political economy and the history of the Communist Party of the Soviet Union. What would he have gained from military faculty lessons? What kind of title would he then give to his memoirs and what would he devote them to? If, of course, he had a chance to write them at all.

Getting to Know the Abroad

Friedman was 20 years old when he first came to Chicago in 1932–33. The university amazed him: not only professors, but also students. In *Two Lucky People*, he wrote, “A brilliant group of graduate students from all over the world exposed me to a cosmopolitan and vibrant intellectual atmosphere of a kind that I had never dreamed existed. I have never recovered.” Two fellow students, Allen Wallis and George Stigler, became his closest friends. Stigler, as well as Friedman, received the Nobel Memorial Prize in Economic Sciences. What Soviet university of that time could have provided such an intellectual atmosphere?

In 1947, F. A. Hayek, the great Austrian economist, invited Friedman to the first meeting of the Mont Pelerin Society in Switzerland. Who could imagine such an occurrence in the Soviet Union? During the “national campaign against cosmopolitanism and servility,” it would have been impossible for a 35-year-old professor, say from the University of Sverdlovsk, whose last name was Friedman to attend an international meeting in Switzerland to discuss the present and future of classical liberalism. Could one imagine that he then attended annual meetings of that Society?

Research

Science differs from propaganda in particular because it studies facts that take place in real life. And successful scientific research is

possible only when and where there is no risk to the life and health of those engaged in this research.

In the following list of works by Milton Friedman (and actually in any of his works), he analyzed facts that mostly did not exist in the centrally planned Soviet economy: *Income from Independent Professional Practice* (1945, with Simon Kuznets), *The Case for Flexible Exchange Rates* (1953), *The Methodology of Positive Economics* (1953), *The Quantity Theory of Money: A Restatement* (1956), *A Theory of the Consumption Function* (1957), *Price Theory* (1962), *Capitalism and Freedom* (1962), *A Monetary History of the United States, 1867–1960* (1963, with Anna J. Schwartz), *An Economist's Protest* (1972), *Free to Choose* (1980, with Rose Friedman), *Monetary Trends in the United States and the United Kingdom* (1982, with Anna J. Schwartz), and *Money Mischief* (1994). In the Soviet Union any efforts to do that kind of research could not only destroy a career of a dissident thinker but also endanger his life.

It would be difficult to overstate the principal difference between the study of economics in the United States and in the Soviet Union. Even during the last period of the Soviet Union, one's career would be destroyed if one were to conduct research on the nature of money, or to state that it actually means something, as Friedman did. It was still in the mid-1980s when a professor could be fired for studying price theory. Up to the beginning of the 1990s, not only the study of the theory of fixed and flexible exchange rates but the very possession of foreign currency could lead to a criminal case based on the "foreign currency" clause of the Soviet Criminal Code. Friedman's call for a rapid movement toward a free-market economy, liberal democracy, personal freedom, and his opposition to the military draft (thanks in large part to him, the United States abolished the draft in the mid-1970s), would have been classified in the Soviet Union, and even in present-day Russia, as anti-government or traitorous behavior.

It is difficult to fathom what colossal intellectual resources were destroyed in the Soviet Union and Russia because of the fundamental lack of freedom in the society—including the inability to think and express one's opinions freely. Millions of lives, and billions of invaluable hours, days, and years, were worthlessly spent, and continue to be spent, on senseless and worthless scholasticism. Even in 1979, three years after Friedman was awarded the Nobel Prize, some of the most progressive Moscow-Leningrad economists were still trying to implement "*normativno-chistaya produduciya*" (an indicator of

industrial production that shows the contributions of firms to the state economy), and in the mid-1980s some of them were still focused on improving the so-called economic mechanism of socialism.

Of course, even in the United States it has not been easy to achieve the victory of common sense. Friedman spent many years trying to convince the economics profession of the importance of money, and U.S. policymakers have yet to implement many of his market-liberal policy proposals. Because of Friedman's careful analysis, it is now widely accepted that the Great Depression was to a very large extent the consequence of a failure of the Federal Reserve System to prudently conduct monetary policy.

But during the 1950s and 1960s, when Friedman created his pioneering works, many economists treated him as wildly radical. In many economics departments, he was even called "the devil." Demonstrations took place against awarding him a Nobel Prize. It is necessary to give credit not only to Friedman's intellectual power and his clear defense of the ideas of freedom but also to his strong personality and his courage, which helped him resist mass (and mistaken) public opinion for decades.

Recognition

For many years Friedman's professional, ideological, and political views were very far from the American mainstream. Nevertheless, he began to get the first signs of recognition in 1945, when he was only 33 years old and was offered an academic appointment in the economics department at the University of Minnesota. The following year he moved to the University of Chicago. In 1951 he was awarded the prestigious John Bates Clark medal by the American Economic Association, awarded every two years to the "American economist under the age of forty who is adjudged to have made the most significant contribution to economic thought and knowledge." In 1967 he was elected president of the American Economic Association, and at the AEA's annual meeting delivered his famous speech about the absence of any real foundation for the Phillips curve—that is, the presumed inverse relationship between inflation and unemployment. In 1976 Friedman was awarded the Nobel Prize, and in 1988 he received the National Medal for achievement in the field of science and the President's Medal of Freedom—the highest award for a civilian in

the United States. In 2002 President George W. Bush honored Friedman on his 90th birthday by holding a special reception devoted to him at the White House.

What kind of award did the Soviet economists who refused to comply with the “general line” receive? It is enough to remember those who were repressed by Stalin’s regime: A.V. Chayanov (1888–1937), N.D. Kondratyev (1892–1938), L.N. Yurovsky (1884–1938), V.A. Bazarov (1874–1939), G.Y. Sokolynikov (1888–1939), and L.A. Nekrash (1886–1949). Or to remember the murdered statisticians, or the destruction of the very science of statistics, or the crackdown on the department of economics at Leningrad University.

Life Expectancy

The average life expectancy of the most famous Soviet economists in the 1930s and 1940s was less than 55 years. And most of them could not be productive in their twilight years and were not able to engage in any kind of intellectual activity. Thus, not taking into consideration the years of study and time after graduation that is needed to become proficient in one’s profession, Soviet economists had only about 20–25 years left for scholarly activity. In the 1960s, the average life expectancy of the most famous Soviet economists increased to 63 years, and in recent years it has increased to 68 years. Thus, the time Russian economists could devote to scientific work (assuming good health) reached almost 40 years.

Unlike the majority of Soviet and Russian economists, Friedman lived a long life—94 years. He maintained clarity of thought and continued to work until two weeks before his death. His first article was published in 1935, in the *Quarterly Journal of Economics*. His last article appeared in September 2006, in *Economic Freedom of the World*, and discussed Sir John Cowperthwaite, the pioneer and creator of the Hong Kong economic miracle. It is amazing how brilliant his last publication was in terms of both content and context. Milton Friedman’s professional life was remarkably productive and lasted more than seven decades.

Friedman’s long and productive life looks fascinating but is in no way exceptional by the standard of other Nobel laureates in economics. At least five others lived more than 94 years. The average age of an American economist awarded a Nobel Prize is over 83 years, which

means a working life expectancy close to 60 years. That professional longevity is approximately 50 percent longer than present-day Russian experience and almost three times longer than Soviet economists' professional longevity in the 1930s. Those additional creative years for American economists mean a faster accumulation of knowledge, huge time-savings when transferring the stored knowledge to the following generation, and a fantastic reduction of public costs.

Results

American economists have substantial advantages over their Russian colleagues: they have intellectual freedom, a much longer scientific life expectancy, the opportunity to conduct research on any kind of issue, and are not exposed to any political risks. Because the average work of any American scientist or economist is much freer, more versatile, and more enduring than in Russia, it is not surprising that labor productivity for American economists is much higher than for Russian economists.

It is also not surprising that of the 61 economists who have won the Nobel Memorial Prize since 1969, more than three quarters (47) came from the United States and only one was from the former Soviet Union. Of those Nobel laureate economists who chose to move to another country, more than four fifths (15 out of 18) went to America. Among those who moved to the United States, three were Russians by their origin. Two of those Russians—Simon Kuznets and Vasily Leontief—by immigrating to the United States might have saved their lives. Only two other Nobel laureates (from Austria and India) moved to Britain, and one (from Germany) moved to Israel, none to the Soviet Union or Russia. This is a vivid example of how leading global scholars “vote with their minds and feet” for intellectual freedom.

There is also another side to this “medal of freedom.” It is not merely the fact that people are willing to move to a freer country. Rather, it is the scope of the contribution that those free people make to the development of the country where they choose to work and live. Of course, that contribution is not made only by Nobel laureates, economists, scientists, and other scholars. Whatever immigrants do professionally, in the majority of cases they make a direct contribution to their new country of residence, making that nation even freer, wealthier, and more successful.

At the end of the 19th century when Milton Friedman's parents moved from the provincial Hungary to Brooklyn, Russia's population (based on the territory of the modern-day Russian Federation) was only 3 percent lower than that of the U.S. population—exact figures are 66 to 69 million people, respectively. In 1912, the year when Friedman was born, the difference in population between the two countries had grown to 8 percent. In 2006, when Friedman died, the population in Russia was half that of the United States—142 million people in Russia versus 298 million people in the United States. The yawning gap is even more pronounced in economic indicators. In 1894, Russia's GDP was 39 percent of that of the United States. In 1912, it had dropped to 26 percent, and in 2006, Russia's GDP had dropped to only 13 percent of American gross domestic product. In terms of per capita GDP, Russia's GDP per capita was 40 percent of America's in 1894, 29 percent in 1912, and 26 percent in 2006.

Of course, free countries are not free from their own problems. They also have crises and catastrophes. Their elected leaders also make serious mistakes and commit crimes. But in contrast to autocratic countries, in free countries serious problems are not ignored or swept under the carpet. Both the government and the society try to deal with crises. Failed politicians are eventually put out of office by voters, and sometimes they are even put into prison. In nonfree countries that is not the case.

Freedom is a wonderful thing whether it is economic, political, or intellectual. When individuals are allowed to freely compete under limited government and the rule of law, they create great wealth and improve human welfare. This prosperity does not depend so much on natural resources or nuclear weapons; it depends on economic and personal freedom to develop one's skills and to engage in voluntary exchange. Slavery of any kind—economic, political, or intellectual—is much less productive than freedom.

Conclusion

It is true that current events in one's life are determined by decisions made long ago, sometimes even decades or centuries ago. And decisions being made now are the foundation for events that will occur in the future.

The most fundamental problem of present-day Russia is not the lack of investment, the so-called natural resource (oil) curse, the exis-

tence of fools, the absence of roads, or even the “robbery” going on in Russia. The real problem is the lack of freedom. It is not that Russian universities cannot generate Nobel laureates, but rather that there is no market in Russia even for those who could be the future parents of those laureates.

Reference

Friedman, M., and Friedman, R.D. (1998) *Two Lucky People*. Chicago: University of Chicago Press.