
Obituary

The Ugly Truth About Milton Friedman

by Nancy Spannaus

“Milton Friedman is a moral obscenity, but his popularity is even more obscene. Whether or not Americans continue to tolerate him will say a great deal about whether America has the moral fitness to survive.”

That was the challenge put forward by Lyndon LaRouche and a group of associates at *Executive Intelligence Review* back in July 1980, when they published *The Ugly Truth About Milton Friedman*, a 350-page book which documented for all with brains to think, that the Nobel Prize-winning economist was a fascist whose ideas had to be rejected in order for the nation to survive. Unfortunately, as the reams of adulatory prose which have been produced in praise of the just-deceased economist demonstrate, *EIR*'s efforts to inoculate the public against Friedman were not successful. The legacy of Milton Friedman remains to be extirpated.

Friedman has been an icon in the field of economics, and public economic policy, from at least the late 1940s, when he attended the founding meeting of the Mont Pelerin Society, and was “converted” from a New Deal accountant, to an anti-government monetarist. He has been a leading collaborator of every economic official involved in the successful tear-down of the U.S. physical economy over the last 60 years: Arthur Burns, George Shultz, Paul Volcker, and Alan Greenspan. He himself stayed out of government over this period—but did his dirty work all the same.

With the repudiation of the Bush Administration on Nov. 7, as well as the onrushing disintegration of the monetary system that Friedman-like policies has created, conditions are now more than ripe for the task *EIR* laid out in 1980, to be finally accomplished.

Outright Fascist Economics

Milton Friedman loved to popularize his economic theories as “freedom to choose.” But in his academic work, and among his colleagues, there was widespread recognition that his monetarist theories were nothing less than fascist. Note the following statements.

First, there's William F. Buckley, Jr., well known for his own fascist sympathies, who, when asked about Friedman's ideas in 1971, said, “It is possible that Milton Friedman's policies suffer from the overriding disqualification that they

simply cannot get a sufficient exercise in democratic situations.” Translation: You need a dictatorship to implement the drastic cuts in consumption and living standards that Friedman's policies call for.

There was one country in which Friedman's policies did have enough time to take effect. That was Chile, in the wake of the 1973 coup by Gen. Augusto Pinochet. The Pinochet regime brought in an Economics Minister (Sergio de Castro) and Central Bank President (Pablo Barahona), who were both personally trained by Friedman at the University of Chicago. The regime which they imposed on Chile, which Friedman called “free trade,” immediately slashed wages and imports, and began exporting the nation's wealth, in the interest of paying debts. International econometric studies reported that, under this regimen, average caloric consumption in 1975 was reduced to less than 1,200 calories per day. This is a level below that necessary to sustain life, the equivalent of the Nazi concentration camps.

Officially, Friedman tried to distance himself from the Pinochet dictatorship. However, when travelling in Chile in early 1975, Friedman “chided the Chileans for not cutting their spending enough,” *Business Week* reported on June 2, 1975. The economist told the Ibero-American press that he hoped the Chileans would keep the program going. *Business Week* on Nov. 26, 1979 quoted Friedman saying that Chile “will be regarded as one of the economic miracles of the twentieth century.”

It was in the midst of the fascist strangulation of Chile, widely identified with Friedman's “Chicago Boys,” that the Nobel Committee decided to give the economics professor his Economics Prize. They justified it on the basis of his “Consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy.” What a fancy description for economic genocide, equivalent to that of Hitler's Economics Minister, Hjalmar Schacht!

But it's not just the Chile example which gives away the fascist content of Friedman's economics. Friedman himself openly identified with the policies that were implemented by Schacht—just as did his “leftist” Keynesian opponents like Abba Lerner. “The object of such controls [on wages, prices, and credit] is the restriction of spending on the part of individuals,” Friedman wrote in his *Studies in the Quantity Theory of Money*. “Such a policy, if rigorously enforced, should restrain a rise in the price level. This policy appeared to have been successful in Nazi Germany.”

Such open discussion led the supply-side economist Arthur Laffer to respond to the question of whether Friedman was a fascist as follows: “You want to prove that Milton Friedman is a fascist? It's easy. Quote him.”

A Swath of Destruction

Beginning in the early 1950s, Friedman was a force for destruction of the U.S. economy—and any other he could get his hands on. His economic instruction came under the



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Austrian school's Frank Knight at the University of Chicago, where Friedman held a chair in economics from 1946 until 1976. After that, he moved to the Hoover Institution, also the home of fellow monetarist and Pinochet-promoter, George P. Shultz.

Throughout the 1950s, Friedman began to worm his way into Washington policy circles, through his friend and advisor, Federal Reserve chief Arthur Burns. Eventually, he became a close advisor to three Republican Presidential campaigns, those of Barry Goldwater (1964), Richard Nixon (1968), and Ronald Reagan (1981). His theories of radical monetarism, budget-cutting, and free trade informed the policies of both the Nixon and Reagan Administrations.

Friedman was the one who urged Nixon to impose a money crunch in 1969, which threw the economy into recession, and ultimately set the conditions for taking the dollar off gold in 1971. The "free market" advocate Friedman certainly didn't bemoan the destruction of the Bretton Woods system. According to the Nobel Committee's press release on his nomination for the economic prize, he was one of the first

to recommend replacing the fixed-exchange-rate system of Bretton Woods.

Under the Reagan Administration, Friedman accepted a position on the Economic Policy Advisory Board, and vigorously pushed his agenda of reducing the Federal government's involvement in the economy, in a classic Adam Smith fashion. What that meant was that he insisted that there was no such thing as the "common good," but only a series of individual decisions, in which people should be "free to choose." Like Smith, and his close acolytes, Friedman took this ideology to its logical conclusion, advocating the elimination of restrictions on a wide variety of human vices, including the ingestion of mind-altering drugs. Like his colleague at Hoover, Shultz, he urged the legalization of marijuana, heroin, and the like. When told that such legalization was akin to permitting suicide, he avowed that the right to commit suicide was a "natural human right."

Strictly speaking, Friedman was a libertarian, who demanded the dismantling of all government interventions in favor of the general welfare of the population. The destructive effect of these ideas—in both monetary and physical-economic terms—were writ large in the Thatcher regime in Great Britain, and in the Begin government in Israel. The same can be said for the United States. To Friedman, it is a matter of moral indifference whether the result of cutting health care, or welfare, or even defense, leads to the death of the vulnerable in society. After all, he repeated constantly on his television shows, they were "free to choose."

Learning the Lessons

As *EIR*'s 1980 book pointed out, it is crucial to keep in mind the fact that the monetarists of the "right," like Friedman, and those of the "left," like Keynesian Abba Lerner, ultimately follow the same methodology. By ignoring the fundamental dynamic of a successful economy—the application of human creativity through science and technological progress to the advancement of Potential Relative Population Density—and measuring the world by money (be it gold or paper), these classical Liberals dehumanize economics, and mankind itself. They are willing to sacrifice millions of human lives to save their monetarist systems and structures—and blame it on some abstract economic laws.

The American System of Economics, especially as last implemented by President Franklin Delano Roosevelt, knows better, and the time for its reassertion has long since arrived. With the collapse of the financial edifice that the monetarists have built, the question is once more going to come to the fore: Will it be the people using their governments to determine economic policies for the common good, or will it be the rich and powerful riding roughshod over everything, and everybody, in their path?

Milton Friedman won't be around to give us the wrong advice. But to give the right answer, in behalf of the general welfare, we had better recognize him as the moral obscenity he was.