

## **Nobel Prize in Economics — Part 4: Milton Friedman, the Father of Monetarism and His Legacy in Today's World**

**by Max Farrington and Michael Hirsch — Updated Edition 2025–2026**

Milton Friedman was an American economist born in Brooklyn, New York, on July 31, 1912. He passed away in 2006 in San Francisco at the age of 94. He was awarded the Nobel Prize in Economics in 1976 for his research on consumption analysis, monetary history and theory, and the complexity of stabilization policy.

Before examining his ideas and the role he plays in the history of economic thought, it is useful to look first at his education and early career.

---

### Youth and Education

Friedman's parents were Jewish immigrants from Hungary. They settled in Rahway, New Jersey, where they raised a gifted child who graduated from high school before the age of sixteen.

Friedman went on to study at Rutgers University, where he earned a degree in mathematics and economics in 1932.

He was offered two scholarships — one to the University of Chicago and another to Brown University. He chose Chicago, where he earned his Master's degree in 1933.

There he was strongly influenced by economists such as Jacob Viner, Henry Simons, and Frank Knight. He later continued his studies at Columbia University before returning to Chicago as a research assistant during the 1934–1935 academic year.

---

### The Beginning of His Career

Early in his career, Friedman worked in Washington, D.C. as an economist in Franklin Roosevelt's New Deal programs, which were designed to pull the United States out of the Great Depression.

This experience proved formative and helped shape his deep skepticism toward government intervention in the economy.

In 1940, he returned to academia and later joined Columbia University's Division of War Research, where he worked as a statistician on projects related to weapons design, military tactics, and metallurgy.

After the war, in 1946, he permanently joined the University of Chicago, where he taught economic theory for the next three decades.

During this period he helped develop what became known as the Chicago School of Economics, which produced several Nobel Prize winners, including:

- Milton Friedman himself
  - George Stigler (1982)
  - Ronald Coase (1991)
  - Gary Becker (1992)
  - Robert E. Lucas (1995)
- 

### Friedman's Economic Ideas

Friedman's ideas were rooted primarily in economic liberalism, with a strong orientation toward libertarianism — a political philosophy that places individual liberty at the center of social organization.

In what might be called the gospel according to Friedman, government is often described as “the serpent in the Garden of Eden.” Government intervention in the economy is almost always seen as distorting markets and producing counterproductive results.

Friedman is best known as the father of monetarism.

According to his quantity theory of money, increases in the money supply are the fundamental cause of rising prices.

His most famous statement summarizes this idea:

“Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output.”

While John Maynard Keynes recommended using fiscal policy and monetary policy to stimulate economic activity, monetarist theory emphasizes the central role of money supply management.

For Friedman and his followers, controlling the growth of the money supply is the most effective way to influence economic activity.

Monetarists therefore questioned whether governments could effectively stabilize the economy simply by adjusting public spending and taxation.

---

### The Rivalry with Keynes — Still Relevant Today

The intellectual rivalry between Friedman and Keynes continues to shape economic policy debates.

Friedman believed that Keynesian policies — particularly those relying on public spending and monetary expansion to support economic activity — ultimately produced inflation rather than sustainable growth.

In his view, the role of government should be limited to ensuring that an appropriate and predictable amount of money circulates within the economy.

This debate resurfaced dramatically during the global inflation surge of 2021–2023, the strongest since the 1970s.

During the COVID-19 pandemic, central banks injected massive amounts of liquidity into the economy. When inflation surged afterward, many observers noted that this development appeared to confirm Friedman’s warnings about the relationship between money creation and inflation.

---

### A Powerful but Contested Legacy

Friedman’s ideas strongly influenced governments around the world, particularly those of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom.

Policies based on monetarism and supply-side economics marked a clear break from traditional Keynesian approaches.

However, Friedman’s legacy is also debated.

After the 1980s, the velocity of money became increasingly unstable, weakening the effectiveness of monetary targeting strategies recommended by monetarists.

Friedman himself was contradicted in 1983: he predicted a new inflationary crisis for the mid-1980s, but the period instead saw disinflation.

The 2008 global financial crisis further challenged Friedman’s intellectual legacy. Neither classical monetarism nor the later “new monetary consensus” provided adequate tools to understand a crisis that originated within the financial system itself.

Today, economists continue to debate Friedman’s ideas.

Critics argue that his approach may lead to growing inequality and economic instability, and that controlling the money supply alone is not sufficient to prevent all types of economic crises.

---

### Social and Political Positions: A Consistent Liberal

On social issues, Friedman held remarkably progressive views for an economist often associated with conservative politics.

He supported:

- the legalization of drugs
- the legalization of prostitution
- gay rights

In foreign policy, he opposed mandatory military conscription and later opposed the Iraq War, although he had supported the United States' entry into World War II due to his strong opposition to totalitarianism.

These positions reflected a consistent principle: for Friedman, individual liberty was indivisible — whether economic or personal.

---

### Friedman and Bitcoin: A Fascinating Posthumous Question

Contemporary analysts often wonder what Milton Friedman would have thought about Bitcoin — a decentralized digital currency created outside the traditional banking system and largely beyond government control.

In principle, he might have appreciated the concept of a currency with a limited supply and free from government manipulation.

However, he would probably have been skeptical about Bitcoin's extreme volatility, which contradicts his fundamental belief in a stable and predictable money supply.

---

### Conclusion

Nearly twenty years after his death, Milton Friedman remains one of the **\*\*most cited** — and most debated — figures in modern economic thought.

His diagnosis of the post-2021 inflation surge appears strikingly prescient. His skepticism toward state intervention resonates strongly in today's debates about massive public debts accumulated after the COVID-19 crisis.

At the same time, his confidence that monetary control alone could stabilize economies has been challenged by successive financial crises.

Friedman remains a central reference in economics courses worldwide, even if his quantitative approach to money now appears somewhat simplistic compared with the complexity of modern economies.

Perhaps that is the true mark of a great economist: not someone who is always right, but someone whose ideas force each generation to rethink its own assumptions.

---

Join us for the next episode of EconoMag.

Vocabulary:

**Milton Friedman** – Milton Friedman

**Nobel Prize in Economics** – Prix Nobel d'économie

**Monetarism** – Monétarisme

**Consumption analysis** – Analyse de la consommation

**Monetary history** – Histoire monétaire

**Stabilization policy** – Politique de stabilisation

**Economic liberalism** – Libéralisme économique

**Libertarianism** – Libertarianisme

**Government intervention** – Intervention gouvernementale

**Quantity theory of money** – Théorie quantitative de la monnaie

**Inflation** – Inflation

**Money supply** – Masse monétaire / offre de monnaie

**Fiscal policy** – Politique budgétaire

**Monetary policy** – Politique monétaire

**Keynesian policies** – Politiques keynésiennes

**Economic activity** – Activité économique

**Liquidity** – Liquidité

**Global inflation surge** – Forte hausse de l'inflation mondiale

**Supply-side economics** – Économie de l'offre

**Disinflation** – Désinflation

**Financial crisis** – Crise financière

**Inequality** – Inégalités

**Economic instability** – Instabilité économique

**Individual liberty** – Liberté individuelle

**Legalization of drugs** – Légalisation des drogues

**Gay rights** – Droits des personnes LGBTQ+

**Decentralized currency** – Monnaie décentralisée

**Bitcoin** – Bitcoin

**Government manipulation** – Manipulation gouvernementale

**Quantitative approach** – Approche quantitative