EJW
ECON JOURNAL WATCH
Scholarly Comments on Academic Economics

ECON JOURNAL WATCH 10(2)
May 2013: 167-171

Why Are There No Milton Friedmans Today?

David Colander[1]

LINK TO ABSTRACT

The question of why are there no Milton Friedmans today can be approached in a number of different ways. For example, it might be approached as a question about economists' role as public intellectuals: Are there fewer economist public intellectuals today than previously, and if so why? Alternatively, it might be approached as a question about Friedman's support of free markets: Are there fewer economists who support free markets today, and, if so, why? I will provide brief answers for each.

Are there fewer economist public intellectuals today than previously, and if so, why?

There are fewer public intellectual economists today, and the reason why is that they are filtered out of the profession. If Milton Friedman at age 21 were somehow time transported to today and was thinking about going to a top graduate school in economics, he either would not apply, or would be rejected if he did apply. The reality is that, every year, thirty or so future potential Milton Friedmans think of applying to graduate school in economics. Twenty-eight decide against it; two decide to apply and are rejected. So the answer to the question of why there are no Milton Friedmans today is that there are Milton Friedmans; they just aren't going into economics. The skills he had are not the skills that are most valued by

1. Middlebury College, Middlebury, VT 05753.

the profession today, and the profession is much more efficient at selecting for the skills it values than it was previously.

Sherwood Rosen once told me that I had discouraged more people from becoming an economist than any single person alive. The reason was my work on the nature of graduate economic education, such as the article "The Making of an Economist" (Colander and Klamer 1987). In that article, Arjo Klamer and I described economic training in the late 1970s and early 1980s. This work made clear to prospective students that graduate economic education was quite different from undergraduate economic education; it was much more mathematical, much less focused on policy and institutions, and much more focused on preparing students to write academic articles for other economists.

The reason why that knowledge discouraged students from becoming economists is that most students do not want to be efficient writers of journal articles. That is an unusual taste that must be inculcated into students through years of problem sets and brainwashing. Before our work on the profession, there was a mismatch between what incoming students thought they would be getting in graduate school in economics—general discussions about policy that built on their undergraduate training—and what they actually got—a boot camp in mathematics and techniques. The result was a mismatch of interests—the training students got did not match their interests. The result was a discontentment among many of the then-young economists such as myself. We still became economists, but we were never fully indoctrinated into the academic economics rituals.

The diffusion of information about the nature of graduate school has reduced that mismatch. Today, just about anyone applying to a top graduate school knows what it will be, and the top graduate schools know the skills they want, making the selection process much more efficient. Those who become economists are much more likely to want to be efficient writers of journal articles. They are much better trained at writing those articles than were earlier cohorts. The flip side is that they are much worse trained to be public intellectuals, which is why there are fewer economist public intellectuals such as Milton Friedman today than there were earlier.

Are there fewer economists who support free markets today, and if so, why?

Let me now turn to the second sub-question: Are there fewer free market supporters than there were, and if there are, why? The answer to this question seems to differ among economists. When I am with rightish economists I detect a belief that there are fewer free market supporters than there used to be. But when I am with leftish economists, I detect the opposite belief; they think that there are more free market supporters. I suspect that neither is right—the views of economists about free markets are diverse, have always have been diverse, and are likely no more or less diverse than they were in the past. This is as it should be. An economist's view on markets often reflects her morality and ideology, and her pragmatic assessments of institutions and politics, much more than any conclusions of economic theory. Good economic theory does not lead one to support or oppose free markets as a matter of policy; instead, as J. M. Keynes (1922) pointed out, economic theory provides one with "a technique of thinking, which helps its possessor to draw correct conclusions."

Thinking about economic theory as something that does not directly relate to one's view of policy was part of the nuanced view of markets inherent in the classical liberal tradition that the pre-Friedman Chicago tradition of Frank Knight and Henry Simons held dear. Economists might, and generally did, hold strong views on policy issues, but those views were separated from their views of economic theory. Policy views were not derived from economic theory.

That classical liberal tradition was coming under fire in the 1940s as economists started framing policy analysis within a Walrasian model in which the role of the state was to maximize a social welfare function. This Walrasian neoclassical approach integrated policy into theory in a way that had not existed before; it made it seem as if economic theory called for state intervention. Within this new Walrasian neoclassical approach to policy, which I call the "economics of control" approach, the existence of externalities was seen as a theoretical reason for government interventions into markets.

This Walrasian neoclassical policy approach was a significant movement away from the classical liberal approach to policy for two reasons. The first was that it blended scientific theory and policy methodologically and did not keep the strict separation that classical liberal economists maintained. The second was that it was much more open to government intervention, as it did not focus on—or even disregarded—the moral and practical reasons that led most classical liberals to support markets as a matter of policy regardless of their ideology. As I discuss in a paper with Craig Freedman (2011), the classical liberal response was to argue that the neoclassical method was wrong; economic theory does not lead to policy conclusions.

That response was not doing well within the competition for ideas within the economics profession at the time. It was portrayed as unscientific and old-fashioned. Milton Friedman and George Stigler developed an alternative response. Using a variation of Ronald Coase's argument, they argued that positive economic theory, supplemented by correct empirical analysis, led to the scientific conclusion that the government should not enter into the market. Like those who were using the Walrasian neoclassical approach, they blended theory and policy together and thereby abandoned the classical liberal methodological tradition. (This argument is developed more fully in Colander and Freedman 2011.)

This integration of theory and policy meant that debates about policy became intertwined with debates about economic theory. The practical and moral reasons that classical liberals supported free markets as a matter of policy were given far less focus, and positions on economic policy issues became blurred. Instead of debating the deeper philosophical, practical, and moral arguments for and against markets, the debates became structured around technical models. These debates were largely removed from the real issues in debate, so the separation made it seem to both sides as if the other side put greater weight on certain theoretical arguments than they actually had. Thus, whereas one could say that most classical liberals of the earlier era supported markets on practical and moral grounds, even as they recognized the advantages and disadvantages of markets on theoretical grounds, one cannot say what the views of most modern economists are.

My sense is that there has been little change in the percentage of economists who support markets over the last fifty years. But that is only a guess; given the blending of theory and policy, it is hard to tell what they support, which is why this second question, "Are there fewer economists who support free markets today?" is answered so differently by different economists.

References

Colander, David, and Craig Freedman. 2011. The Chicago Counter-Revolution and the Loss of the Classical Liberal Tradition. *Summer Institute for the History of Economic Thought* (University of Richmond, Richmond, Va.), June 24. **Link**

Colander, David, and Arjo Klamer. 1987. The Making of an Economist. *Journal of Economic Perspectives* 1(2): 95-111.

Keynes, J. M. 1922. Introduction [to the *Cambridge Economic Handbooks*]. In *Supply and Demand*, by Hubert D. Henderson, v-vi. New York: Harcourt, Brace and Company.

About the Author

David Colander has been the Christian A. Johnson Distinguished Professor of Economics at Middlebury College since 1982. He has authored, co-authored, or edited over 40 books (including a principles and intermediate macro text) and 150 articles on a wide range of topics. He is a former President of both the Eastern Economic Association and History of Economic Thought Society and is, or has been, on the editorial boards of numerous journals. He is currently completing a book for Princeton University Press titled *Laissez Faire Activism: The Complexity Frame for Social Policy* with Roland Kupers. His email address is colander@middlebury.edu.

Go to archive of Character Issues section
Go to May 2013 issue

Discuss this article at Journaltalk:
http://journaltalk.net/articles/5799