

Task

1. What was Galbraith's position in the 40s and how did he comment it?
2. What was the atmosphere in which young Galbraith raised?
3. Where did his interest in the field of economics begin to grow?
4. Describe his ascending the scale of ranks.
5. Describe his literary activity (his trilogy).
6. What did Galbraith advocate in his books?
7. What was his life-style?
8. Explain the meaning of the emphasized words and expressions.
9. Discuss the text together with your groupmates.

3.16. MILTON FRIEDMAN (born 1912)



Milton Friedman is among the most famous economists of our time. A popular writer and recipient of the 1976 Nobel Prize in Economics, Friedman's name is synonymous with monetarism.

FROM MATHEMATICS TO ECONOMICS

Milton Friedman was born on July 31, 1912, in Brooklyn, New York. As a high school student he developed a love for mathematics. Because he could think of no other mathematical careers, Friedman decided to become an **insurance actuary**. The college education he needed seemed to be out of reach, as his family was quite poor. A "lucky accident", as he later would call it, gave Friedman the means to attend college. The state of New Jersey advertised scholarships of free **tuition** to attract bright students to Rutgers. Friedman won one of the scholarships and enrolled in 1928. He took on a series of odd jobs to pay for room and **board**.

At Rutgers, Friedman was introduced to economics. Two members of economics faculty had a particularly strong influence on him: Arthur Burns, who later became chairman of the Federal Reserve Board, and Homer Jones, who went on to become vice – president of research at the Federal Reserve Bank of St. Louis. For his graduate work, Friedman had to choose between scholarships to study either **applied mathematics** at Brown University or economics at the University of Chicago. He chose the latter, explaining, "I graduated from college in 1932, when the United States was at the bottom of the deepest depression in its history.

Under the circumstances, becoming an economist seemed more **relevant** to the burning issues of the day than becoming an applied mathematician or an actuary.”

Friedman often comments that his life has been filled with “lucky accidents.” One of them **occurred** in the class of a professor who insisted on seating his students in alphabetical order. The seat next to Friedman was assigned to a student named Rose Director. Friedman **was smitten with** Rose, and eventually married her.

GOVERNMENT PROJECTS

Friedman received his M.A. in economics from the University of Chicago in 1933. He then began to work on several government projects, including a study being conducted by the National Bureau of Economic Research for the Department of Commerce. His **mentor** on this project was Simon Kuznets, the architect of modern national income accounting. The two economists concluded their study with the publication of **Income from Independent Professional Practice**, which Friedman submitted to Columbia University as a doctoral dissertation. Although Friedman and Kuznets finished the book before the outbreak of World War II, it wasn't published until after the war. Since publication of the dissertation was a requirement of the doctoral degree, Friedman had to wait until 1946 to receive his Ph.D. During the war he served as an economist with the Treasury Department and as a mathematician for the Statistical Research Group of the Division of War Research at Columbia University.

FOUNDATION OF MONETARISM

In 1946 Friedman returned to the University of Chicago as an Associate Professor of Economics. He became a full professor there in 1948. In 1956, the University published Friedman's book, **Studies in the Quantity Theory of Money**, which laid the foundation for his extensive work on monetary economics throughout the remainder of his career. In 1976, the Royal Swedish Academy awarded Friedman the Nobel Prize in Economic Science for his contributions to this field. Although he believes that his main contribution to economics was “a little book on consumption” published in the late 1950s, Friedman remains best known as America's leading monetarist. He argues that money is the **crucial** element affecting the level of economic activity. Changes in the quantity of money directly affect economic trends. Because money has so strong an influence on economic performance, Friedman argues, the Federal Reserve should employ a strict approach to monetary policy. In fact, the Federal Reserve shouldn't use **discretionary** monetary policy at all but instead should follow a money – supply rule, increasing the money supply at a **steady** rate that is **consistent** with the economy's growth and its capacity to produce. He believes that attempts to stabilize the economy through the use of discretionary monetary policy have actually contributed to economic instability.