

**Milton Friedman and the Cold War, 1950–1968:
McCarthyism, Foreign Aid, and the Soviet Economy**

Edward Nelson*
Federal Reserve Board
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Abstract

The paper considers Milton Friedman’s interventions in U.S. public debate in the period from 1950 to 1968 on matters related to the Cold War between the United States and the Soviet Union. Following a discussion of Friedman’s general posture regarding the U.S./USSR conflict, three specific topics are considered: the McCarthy anti-Communist campaign (which Friedman deemed an inappropriate response by the U.S. authorities, particularly in its attempt to restrict private-sector employment opportunities for suspected Communists), foreign economic aid to developing economies (which Friedman considered to be a counterproductive device for the United States to deploy in the Cold War), and Soviet economic performance (which Friedman, contrary to much professional opinion during the 1950s, but consistent with many retrospective assessments, judged to be poor).

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* Email: Edward.Nelson@frb.gov. The views expressed in this study are those of the author alone and should not be interpreted as those of the Federal Reserve or the Board of Governors. The author is grateful to the individuals whose interviews with the author are quoted in this paper.

1. Introduction

The Cold War—the post-World War II conflict between the United States, together with its allies, and the Union of Soviet Socialist Republics (USSR)—was something from which Milton Friedman, in his writings on domestic and international monetary matters, was usually able to abstract. And he was glad to do so—an attitude reflected explicitly in his response in May 1950 to Paul Samuelson when the latter brought up the conflict in the course of a macroeconomic discussion: “Let us leave out the Cold War.”¹

East/West geopolitical tensions nevertheless were a major aspect of U.S. discourse when, in the second half of the 1940s, Friedman started to orient his research activities toward monetary relations, and they retained a prominent place in that discourse for decades thereafter. Reflecting this reality, on occasion Friedman—mostly in his public-policy writings, and other commentary, on nonmonetary issues, rather than in his monetary research—did refer explicitly to the contest between the two postwar superpowers. These references started cropping up virtually from the opening of the Cold War and continued to do so over the 1950s, 1960s, and 1970s.

Friedman’s discussions of the U.S./Soviet conflict were a small fraction of his overall body of public statements. They nevertheless cumulated to a sizable total over the years. This paper analyzes those discussions, with a focus on specific policy issues that Friedman raised. The period considered begins in mid-1950—corresponding roughly with the outbreak of the Korean War—and ends in 1968. This choice of sample period is motivated by the fact that, in 1969–1972, the Nixon Administration launched a *détente* policy which, at the time, was seen as moving to a relaxation of U.S./USSR relations and that temporarily put the “Cold War” label out of vogue.² In addition, in order to restrict the scope of the paper, the Vietnam War is not considered in the analysis.

The paper proceeds as follows. Section 2 considers Friedman’s general posture regarding the U.S./USSR conflict. Following this discussion, three specific topics are considered: the McCarthy anti-Communist campaign in the United States (Section 3), the debate on foreign economic aid to developing economies (Section 4), and evaluations of Soviet economic performance (Section 5). Section 6 offers some concluding remarks.

¹ In All Participants (1951, p. 241).

² See Garthoff (1994) for a detailed discussion. In retrospect, the whole 1946–1990 period has typically been classified as the Cold War. During the 1970s, however, the “Cold War” terminology was typically used in reference only to the period of the contest that spanned from 1946 through some time in the 1960s.

2. Milton Friedman's posture regarding the Cold War

During the 1950s, Friedman largely subscribed to centrist views on the current state of world affairs—and, specifically, to the widespread belief in the United States not only that the military threat of the USSR was high but also that the outbreak of a direct U.S./Soviet confrontation could be imminent. Consistent with this consensus, in the course of the 1950s Friedman worried aloud about the distinct prospect of World War III.

From mid-1950, the United States was engaged in the Korean War, but the USSR, although overtly supportive of North Korea, was not an official combatant: the war between the two superpowers remained primarily “cold.” Consequently, in a broadcast on U.S. radio in September 1951 (during the Korean War, which lasted until 1953), Friedman made reference to “the present uneasy state of Cold War” (NBC, 1951, p. 11) and, a few months later, he noted “the present uneasy peace” between the United States and the Soviet Union.³ In a further broadcast in which Friedman participated in February 1952, he noted that “one of the eventualities which we have to plan for is war against Russia on the continent of Europe.”⁴

Later in the decade, at the Mont Pelerin Society meeting held at Princeton University in September 1958, Friedman began his remarks by noting: “A third world war is the most obvious threat to the preservation of a free society.” He indicated that he would “optimistically put to one side” this possibility in his discussion—which instead was concerned with the danger of a peacetime inflation in the United States.⁵

During the 1950s and subsequently, Friedman attributed the avoidance of outright war between the United States and the USSR to the Western world's preservation of military deterrence. In the face of growing Soviet military power, he urged in 1952 that “[w]e must become and remain militarily strong” in order to maintain deterrence.⁶ Friedman reaffirmed this position when, near the end of the 1950s, he observed in Congressional testimony: “Unfortunately, their attainment [that is, attainment of the most desirable public-sector/private-sector mix] is currently limited even more by exigencies of the Cold War which threaten the very existence of our free society

³ NBC (1952a, p. 5).

⁴ NBC (1952b, p. 9).

⁵ Friedman (1958a, p. 1).

⁶ NBC (1952a, p. 5). Along the same lines, Friedman observed in 1951 that actions taken as part of the Cold War tended to make the U.S. public sector larger than otherwise but were helping to prevent “a full-scale war” (Friedman, 1951, p. 9 of 2012 reprint) and remarked in 1958 that the “military threat [to the Western world, coming from the USSR] makes necessary large federal expenditures and heavy taxes.” (Friedman 1958b, p. 254; p. 36 of 1962 reprint.)

and which require us to devote all too much of our resources to maintaining the means of national survival.”⁷ He stuck to this position in subsequent decades.⁸

Friedman’s status as a commentator on *American* policy should be stressed here: he was in favor of military alliances, but his discussions focused on the U.S. government’s options and decisions. It also deserves emphasis that Friedman’s commentary on the East/West conflict was given from an American perspective and drew little on any notion that his European family background gave him additional perspective on the global contest. For, although Milton Friedman’s parents had migrated from the Russia/Eastern Europe area and his spouse Rose Friedman was born in that region, Milton Friedman was not someone who typically invoked strong ancestral ties to Eastern Europe or whose deep-seated opposition to the USSR and its policies stemmed importantly from his Eastern European background.

To be sure, Friedman considered it a lucky escape on his part that he had not been born in the USSR. He observed in 1977 that, had his parents not migrated, “if I existed at all today, I would be a citizen of the Soviet Union. That’s not a prospect I would have relished.”⁹

But, as the remark just quoted implied, Friedman’s parents, although born in the same region as one another, had actually only met after each of them had departed their birthplace and moved to the United States. Furthermore, Friedman would frankly acknowledge in his memoirs that, when growing up, he had little interest in his family background or his parents’ early lives.¹⁰ And notably unlike his former teacher and longtime mentor Arthur Burns, Friedman was not multilingual as a child.¹¹ All told, Friedman lacked the links to the region that would have typically come from having been born in Russia or Eastern Europe or from having strong contemporary family ties to those areas.

Friedman referred to himself, correspondingly, as having an “American background” (*Financial Times* (London), January 6, 1977) and, insofar as he identified with Europe, it was not primarily

⁷ Testimony of October 30, 1959, in Joint Economic Congress, U.S. Congress (1959a, p. 3020).

⁸ On Friedman’s views on defense and foreign policy during the 1970s and 1980s, see Nelson (2022).

⁹ *Milton Friedman Speaks*, Episode 1, “What Is America?,” taped October 3, 1977, p. 7 of transcript. (Media and audiovisual items such as this one are listed in Section I of the bibliography, separately from the main reference list in Section II.) Similarly, near the opening of the *Free To Choose* television series, Friedman remarked that “if I existed at all, I’d be a Russian or a Hungarian today, instead of an American.” (*Free To Choose* (U.S. television version), Episode 1, “The Power of the Market,” PBS, January 12, 1980, p. 1 of transcript.)

¹⁰ See Friedman and Friedman (1998, pp. 19–20).

¹¹ Burns at the age of five or six had translated the Old Testament into both Polish and German (*Deena Clark’s Moment With...*, NBC, January 31, 1971, p. 14 of transcript).

with Continental Europe, either East or West: rather, in a speech given in Utah on December 11, 1975, he said of Americans that the original “home of most of the ideas of freedom that we cherish [is] the United Kingdom,” and that he was among those “brought up in the great traditions emanating from Great Britain.”¹² Friedman’s great interest in the writings on economics produced in the United Kingdom from the 1700s through the 1930s, and in the political and economic liberalization that occurred in the same country during the nineteenth century, reinforced the association he had with that country’s, rather than Continental European, traditions. Indeed, as stressed in Nelson (2020b, Chapter 14), Friedman’s knowledge of Continental European history and institutions was decidedly piecemeal, notwithstanding his family background, and remained so even after he worked in Western Europe during 1950 in connection with the Marshall Plan.

In sum, Friedman’s opposition to the USSR focused on the oppressiveness that that country’s regime practiced at home and abroad—“Communist society has been the most efficient exploiter of the masses in history,” he observed (*Chicago Maroon* (University of Chicago), May 11, 1956)—and its threat to peace, including to the United States’ survival as a liberal market democracy.¹³ It did not rest importantly on the fact of his Russian/Eastern European parentage.

It should also be stressed that, notwithstanding the notable interventions that he made and that are considered below, Friedman did not involve himself greatly in foreign policy and defense debates in most of his writings of the 1950s and 1960s. Some individuals, such as Francis Bator, Eugene Rostow, and James Schlesinger, were active in discussions of economic-stabilization policy and U.S. security policy alike in these decades. In closer proximity to Friedman, this mixture of research interests also characterized Martin Bailey. Both during his years as a colleague of Friedman’s from 1955 to 1965, and in his post-University of Chicago career well into the 1970s, Bailey had a two-track research agenda—being steeped in both monetary analysis and the economics of defense.¹⁴ But Friedman’s own portfolio of interests was very different.

¹² Both quotations appear in the printed version of the talk in Friedman (1976a, p. 9; 1976b, p. 563).

¹³ A remark expressing a sentiment similar to that in the 1956 quotation just given appeared in Friedman (1962, p. 197).

¹⁴ Although, by the early 1980s, Bailey was listing only his work on welfare theorems and on monetary and fiscal policy among his research interests and contributions (see Blaug and Sturges, 1983, p. 18), in the 1970 American Economic Association members’ directory he had given his research agenda as follows: “Cost-benefit and discount rate criteria for government projects; Military resource allocation.” (American Economic Association, 1970, p. 18.) His research contributions in the defense field included Bailey (1967, 1972). The late David Meiselman recalled (interview, July 16, 2014) that, having already at the University of Chicago been interested in “applying good, rigorous economics to defense,” “Martin got more and more involved in the defense stuff” in the years after leaving the university. “In fact, after I came to Washington, he tried to get me involved... He tried to convince me to

He acknowledged that, as he put it in 1961, he was “an amateur in the Cold War,” and he conceded that his areas of economic expertise did not put him in a position to weigh in authoritatively on many foreign policy matters.¹⁵

Friedman was also mostly able to refrain from covering these issues in his many discussions of monetary policy. As Tavlas (2004, pp. 96–97) noted, the matters of monetary arrangements and geopolitics have not invariably been seen as separable, in part because monetary policy rules involve “the loss of the ability to use discretion over the issuance of money in exceptional circumstances, including military conflicts” in which money creation could help finance defense expenditures. Friedman, however, perceived considerable separability. By the mid-1950s, his position was that there was scope for even quite a large volume of military expenditures to be financed without recourse to money creation. This perspective was consistent with a separation of monetary policy and fiscal policy of the kind that Friedman advocated from the mid-1950s onward.¹⁶

Friedman nevertheless made what cumulated to a considerable number of interventions concerning the East/West conflict—tending to do so when the matters that came up in connection with this conflict overlapped with his longstanding interests in the relationship between market mechanisms and economic outcomes and in the intersection of economic and personal freedoms. One of his major interventions, on McCarthyism, is considered next.

3. The Cold War and McCarthyism

A very prominent Cold War issue in the 1950s concerned the domestic affairs of the United States and was close to Friedman’s own interests, as it had a bearing on the links between the market system and personal liberties. The issue in question was the anti-Communist campaign of the 1950s—spearheaded by Joseph McCarthy in the U.S. Senate—and its aim of restricting the employment opportunities and public activities of Communist-sympathetic American citizens or of those citizens suspected of having Communist sympathies.

McCarthyism received very widespread condemnation in retrospect and became synonymous with witch-hunts. During the late 1940s and the first half of the 1950s, however, McCarthy,

switch over to defense economics. I liked him, and I liked some of the people working with him. [But] it’s such a whole hassle to have to start a whole new career... So I turned him down.”

¹⁵ Friedman (1961a, p. 534).

¹⁶ For further discussion, see Nelson (2020a, Chapters 3, 9, 10).

although always a divisive figure, had considerable popular support and political momentum in the United States—so much so that public opponents of the domestic anti-Communist campaign, although they would be vindicated by posterity, often felt themselves at the time to be beleaguered when they voiced their stand in public debate. One such opponent, Paul Samuelson (1983, p. 6), raised the question, when looking back on this era: “How did free-market advocates among the economists score as defenders of personal freedoms and civil liberties?” In his retrospective, Samuelson proposed an answer to the question on the basis of records that he had kept of economists’ statements regarding the McCarthy anti-Communist movement—these statements evidently having been gleaned from both Samuelson’s private conversations with free-marketers and the public record. Samuelson reported: “The results surprised and distressed me.” Samuelson indicted free-market economists of the 1950s for being “on the whole unsympathetic toward the rights and personal freedoms of scholars.” Samuelson named Fritz Machlup as someone who was “alone among the members of the Mont Pelerin Society” in being opposed to the McCarthy-era clampdown on civil freedoms, including the campaign occurring in U.S. academia.¹⁷

This passage did not refer to Friedman by name. Nevertheless, in the passage Samuelson was essentially accusing Friedman, who was, of course, a prominent and longstanding member of the Mont Pelerin Society, of silence about, or approval (tacit or explicit) of, the McCarthyism of the 1950s.

Samuelson’s conclusion, however, was at variance with the fact that there existed numerous Friedman public statements that were critical of the anti-Communist movement that was prevalent in U.S. officialdom in the early 1950s. In the April 1961 issue of the *New Individualist Review*, Friedman stated: “I think that most of us will agree that an essential element of political freedom is the freedom to advocate[,] and to try to promote[,] radical changes in the organization of society. It is a manifestation of political freedom in our capitalist society that people are free to advocate, and to try to persuade others to favor[,] socialism or Communism.”¹⁸ This passage also appeared in a *Wall Street Journal* op-ed (May 18, 1961) by Friedman that was based on the *New Individualist Review* article, and, with slight rewriting, reappeared in 1962, in his book *Capitalism and Freedom*.¹⁹

Both the *New Individualist Review* article and *Capitalism and Freedom* also contained a later

¹⁷ Samuelson (1983, p. 6).

¹⁸ Friedman (1961b, p. 8).

¹⁹ See Friedman (1962, p. 16).

passage in which Friedman highlighted as an advantage of the decentralized nature of market mechanisms the fact that it allowed trade, usually without either party knowing, to take place between individuals who had diametrically opposed political views: the 1961 article noted that such trade could occur between those who pleaded the Fifth Amendment in the McCarthy hearings with the remaining McCarthyites, while the *Capitalism and Freedom* likewise observed that decentralized market activity was indifferent to whether the participant was a “Communist or a Republican.”²⁰ One feature of the market system highlighted in these passages was that its operation worked against society taking punitive action against individuals on account of their political views, including views supportive of Communism.

In a related vein, *Capitalism and Freedom* also referred to “our experience with McCarthyism” and pointed to the existence of private-sector employment as a safety valve that allowed those ostracized by having pleaded the Fifth Amendment in the anti-Communist investigations to possess employment opportunities even when barred from government jobs.²¹

In another passage common to the 1961 *New Individualist Review* article and *Capitalism and Freedom*, Friedman criticized Hollywood blacklisting (in particular, the practice by which the various U.S. film studios had, starting in the early postwar years, prohibited the commissioning of scriptwriters thought to have had Communist sympathies) and argued that the existence of competition between the studios had helped undermine the blacklisting process over time.²²

Also with regard to the McCarthy era, in a May 1961 talk at the U.S. Chamber of Commerce, Friedman criticized the “cavalier treatment” of the civil liberties of witnesses that occurred during the McCarthy and related Congressional hearings of the early 1950s.²³ A similar evaluation appeared in print the following month when, in the *Yale Review*, Friedman referred to “the victims of the high-handed treatment of individual rights by the McCarthy, Kefauver, McClellan, and similar committees.”²⁴

It is possible that Paul Samuelson was unaware of some of these statements or that they were not at hand when he wrote his 1983 critique. Alternatively, Samuelson might have regarded the early 1960s as too late a vantage point from which to articulate forthright criticisms of the

²⁰ See Friedman (1961b, p. 10; 1962, p. 21).

²¹ Friedman (1962, p. 20).

²² Friedman (1961b, p. 10; 1962, pp. 19–20).

²³ The quotation is from Friedman’s closing statement in his debate of May 3, 1961, with Senator Joseph Clark.

²⁴ Friedman (1961a, p. 535).

McCarthy era—and so may have viewed statements made in that era as not establishing Friedman’s credentials as a critic of McCarthyism. But the fact is that Friedman also voiced these criticisms during the McCarthy era. In private correspondence with Fritz Machlup a week ahead of the 1952 presidential election, Friedman expressed the expectation that McCarthy’s influence would dissipate in the event of Dwight Eisenhower winning office and indicated that this would be a desirable development (see Cherrier, 2011, p. 359).²⁵

In this connection, it is worth recalling that Samuelson’s (1983) retrospective amounted to contending that Friedman did not voice opposition to McCarthyism even *privately*. The fact of this private exchange would be sufficient to contradict his contention, even in the absence of the considerable additional evidence available in the public record of Friedman’s objections to McCarthyism. As it happens, even the letter to Machlup was not altogether private, as Friedman soon responded affirmatively to Machlup’s request for permission to circulate the letter.²⁶

This dissipation of McCarthyism that Friedman predicted would transpire under an Eisenhower presidency indeed occurred, with McCarthy himself losing public favor over the first two years of the new president’s tenure. Nevertheless, the general domestic anti-Communist campaign that McCarthy had been crucial in setting in motion remained strong in 1953 and in the following year—a state of affairs that underlay Sandilands’ (2003, p. 5) reference to “the poisonous atmosphere of 1954.”

During this period of continuing momentum of the anti-Communist campaign, Friedman went into print with criticisms of the premises regarding domestic affairs that the campaign had embraced. In particular, in an article written for an annual volume of commissioned essays—presented in encyclopedia-entry format, and giving popular discussions of current national issues—under the auspices of the Collier publishers, Friedman wrote on classical liberalism and its application to current U.S. discourse. The volume containing Friedman’s entry had an editor’s preface dated January 10, 1955 (Couch, 1955, p. viii), and the book was on sale by late March 1955 (*Buffalo Evening News* (New York), April 2, 1955). In his essay, Friedman indicated, as he would reaffirm in later years, that it was important that advocacy of Communist revolution not be suppressed or criminalized: “the maintenance of political freedom surely requires that people be free not only to believe in[,] but also to advocate[,] Communism.” He

²⁵ Samuelson’s (1983) retrospective amounted to contending that Friedman did not voice opposition to McCarthyism even privately, so the fact of this private exchange would be sufficient to contradict his contention, even in the absence of the considerable additional evidence available in the public record.

²⁶ Friedman gave this permission in a letter he wrote to Machlup on November 10, 1952 (Milton Friedman Papers, Hoover Institution archives, Box 30, Folder 2).

added that his abhorrence of the Communist system arose partly because it prohibited the expression of non-Communist viewpoints. Friedman favorably cited the fact that the United States did not ban Communist magazines and affirmed that this was evidence of the operation of freedom of speech in the United States.²⁷

This position lined up with that Friedman articulated a quarter-century later when, in an article specifically on the economics of free speech, he observed that the “real test of free speech is the ability of a minority to express its view” and that while he felt that “Marx’s *Das Kapital* is a pernicious and dangerous book,” it would be inappropriate to ban it, restrict advertising of it, or require publishers to print a warning label on copies of the book.²⁸ Similarly, in a debate, “Socialism vs. Capitalism,” held at the University of Chicago on May 4, 1956, Friedman noted: “No socialist society provides the freedom necessary for a debate such as this.” (*Chicago Maroon* (University of Chicago, May 11, 1956.)

With regard to the issue of job opportunities, Friedman’s 1955 piece drew a distinction between the public and private sectors: he judged that “it is entirely appropriate that at least certain governmental positions should not be open to actual or suspected Communists.” But he noted that an individual’s advocacy of revolutionary change of the United States to a Communist system should not be prohibitively costly to them, in the sense of denying that individual “the possibility of earning a living” in the country, and that it was a positive aspect of the market economy that it offered the chance of private-sector employment to those denied access to government employment.²⁹

These passages anticipated Friedman’s early-1960s condemnations of McCarthyism.³⁰ And, on account of their mid-1950s vintage, they constitute earlier evidence against Samuelson’s implication that Friedman refrained from opposing the movement. In a piece of popular writing, Friedman had explicitly defended the rights of advocates of Communist revolution to air their views in the United States while also having employment opportunities. His specific line of argument in the *Collier’s* piece was also notable: in citing the private sector as a safety valve in

²⁷ Friedman (1955, p. 361).

²⁸ Friedman (1979, pp. 9, 14 of 1987 reprint). The article was derived from a speech that Friedman gave at a dedication ceremony at the University of San Diego Law School on November 7, 1977 (Friedman, 1979, p. 221; p. 9 of 1987 reprint).

²⁹ Friedman (1955, p. 361).

³⁰ They also amounted to an application, to the case of political views, of Friedman’s statements in 1951 that “the existence of a free private market” was one source of protection against state power and that a society needed to feature “preservation of freedom... to enter any profession or occupation” in that private market (Friedman, 1951, pp. 7, 8 of 2012 reprint).

the U.S. economy that allowed those denied government employment to have job opportunities, the article anticipated a point that Samuelson (1983) highlighted about the environment of the 1950s.³¹

As is indicated by the editor signing off on the book in the early days of 1955, Friedman produced this entry in 1954.³² His piece was therefore not in the vanguard of public statements against McCarthyism. Nevertheless, as indicated in the already-quoted Sandilands (2003) reference to 1954, the Friedman entry was written at a time when the freedoms of speech and employment available to actual, suspected, or former Communists were still being stifled in the United States.³³

4. The foreign aid debate of the late 1950s and early 1960s

These public interventions that Friedman made during the 1950s on the domestic-civil-liberties aspect of the Cold War debates of that period, while firm, were brief. He spoke at greater length, however, on another subject involving the Cold War when, in the late 1950s, the issue arose of the appropriate approach that the United States should adopt toward developing economies. Friedman would become an outspoken opponent of foreign economic aid to these countries.

Friedman was motivated to testify in March 1957 in Washington, D.C., in hearings held by the U.S. Senate Special Committee to Study the Foreign Aid Program. “My name is Milton Friedman,” Friedman, speaking in an era that preceded his national fame, told the senators. “I am a professor of economics at the University of Chicago.”³⁴

Friedman acknowledged that the United States was in a contest with the USSR for the support of developing economies: “we are competing with another ideology for the world.”³⁵ He argued, however, against providing economic aid to developing economies, on the grounds that this

³¹ With regard to Friedman’s discussion of McCarthyism in Friedman (1962), Cherrier (2011, p. 359) suggests that “this example was more than a rhetorical device designed to shock the audience.” As indicated, however, Friedman used this example on multiple occasions, and insofar as the description of his use of it as “rhetorical” implies that it was not a serious or sincerely-offered example, this description does not seem well taken. It was a highly topical example and, as noted, Paul Samuelson would later, in effect, endorse Friedman’s use of the example.

³² Specifically, the editor acknowledged receipt of the draft entry in a letter dated November 19, 1954 (Milton Friedman Papers, Hoover Institution archives, Box 23, Folder 36).

³³ One of those encountering obstacles to being employed in the United States was Lawrence R. Klein, who would confirm that he considered 1954 to be part of “the McCarthy era” (Klein, 1985, p. 28).

³⁴ From Friedman’s March 26, 1957, testimony, in Special Committee to Study the Foreign Aid Program, U.S. Senate (1957, p. 126).

³⁵ March 26, 1957, testimony, in Special Committee to Study the Foreign Aid Program, U.S. Senate (1957, p. 128).

would amount to acceptance of “the premises of the other ideology” (that is, Communism).³⁶ In particular, Friedman was concerned that routing funds to developing countries via their governments would promote the emergence of centrally-planned economies and discourage the expansion of private enterprise. This tendency, Friedman argued, would make those economies worse off. “We have, to the best of my knowledge, no record in history of a free country which has managed to improve its economic standard and to improve the level of living of its people by methods of centralized governmental control of economic development.”³⁷

Friedman’s opposition to government-to-government economic aid went back to the 1940s. The opposition had encompassed U.S. government aid to developed countries. For although Friedman had been employed in Western Europe in 1950 in connection with the Marshall Plan, he had been concerned that the overall effect of the Marshall Plan would be that central planning would be encouraged.³⁸ With regard to poorer countries, too, Friedman had given an assessment in 1946 that, in the long run, the United States would be more successful in promoting economic development if it did so via indirect methods—trade, U.S. education of foreign students, and export of capital and knowledge—than if it relied on direct techniques like grants and gifts.³⁹ Nor did he believe that vying with the Soviet Union for good relations with developing countries should be a reason for provision of foreign aid: Friedman stated in 1954 that “insofar as we can have friends, all the better, but we must not put that as our major objective.”⁴⁰

Friedman elaborated upon his opposition to foreign aid in a 1958 article in the *Yale Review*. Friedman distinguished between U.S. government provision to developing economies of military aid—an activity that he supported—and the dispensing of U.S. government funds to those countries in the form of economic aid—which he opposed. He maintained that such aid “tended to strengthen the role of the government sector in general economic activity relative to the

³⁶ March 26, 1957, testimony, in Special Committee to Study the Foreign Aid Program, U.S. Senate (1957, p. 128). Similarly, Friedman wrote five years later (*Wall Street Journal*, April 30, 1962): “We are engaged in an ideological war with a hostile ideology. The way to win that war is not to accept the premises of that ideology.”

³⁷ March 26, 1957, testimony, in Special Committee to Study the Foreign Aid Program (1957, p. 126).

³⁸ See Friedman and Friedman (1998, pp. 176–180) for Friedman’s account of his work on the Marshall Plan, as well as Nelson (2009) for a discussion of Friedman’s views on U.S. economic aid to Western Europe.

Gary Becker, in an analysis that was critical of foreign aid on many of the same grounds that Friedman had given in the 1950s, made an exception in the case of the Marshall Plan. Becker argued that, in practice, the Marshall Plan had put Western Europe’s market system back on its feet, instead of undermining that system (*Business Week*, November 4, 1991).

³⁹ NBC (1946, pp. 15, 16).

⁴⁰ NBC (1954, p. 10). Friedman also critiqued foreign aid in a further NBC radio appearance in May 1957, in which he debated Northwestern University’s Robert Eisner about government spending (*Commercial and Financial Chronicle*, May 9, 1957).

private sector.”⁴¹ Aid programs, he argued, gave governments funds with which those governments could pursue insular economic policies, such as generating “monuments,” including public-sector-owned or officially-subsidized industries. This process would discourage the channeling of resources in directions that were likely to hasten growth in citizens’ living standards.⁴² In addition, Friedman argued that the strengthening of the government sector had a long-run negative effect on the preservation of democracy.⁴³ Friedman reaffirmed this argument in 1961 when replying to a critique of his case against aid made by a foreign policy (and Cold War) specialist, Charles Wolf (1961), who challenged the notion that individual freedom and public-sector size had a continuous positive relationship with one another.⁴⁴

The 1961 dialogue with Wolf was one of several forums in which, after the 1950s, Friedman continued to voice his opposition to foreign economic aid.⁴⁵ His position on aid put him decidedly in the minority. One commentary noted: “There are, of course, a few hardy souls, like Peter Bauer at Cambridge or Milton Friedman at Chicago, who would still argue that the market will do everything that needs to be done in a developing economy as well as in a developed economy. But this position is taken by relatively few people.”⁴⁶ And opposition to foreign economic aid has continued to be a position taken only by a minority within the economics profession. Recent years, however, have seen foreign aid programs subjected to some prominent critiques, including that of Acemoglu and Robinson (2012), whose arguments overlap to a considerable degree with those that Friedman advanced.

5. The economic competition and alleged Soviet economic strength

Part of the reason why Friedman found himself in the minority on this issue during the 1950s and early 1960s was that, at that time, even those who agreed with his position that foreign economic aid promoted a heavy degree of central planning did not necessarily see this conclusion as arguing against aid. On the contrary, many Western observers in this period saw central planning as a means by which an economy might fast-track its process of industrialization.

⁴¹ Friedman (1958c, p. 504; p. 82 of 1987 reprint).

⁴² Friedman (1958c, p. 505; p. 83 of 1987 reprint). See also Friedman’s remarks in *Forbes*, December 12, 1988, p. 166.

⁴³ Friedman (1958c, p. 504; p. 82 of 1987 reprint).

⁴⁴ Friedman (1961a, p. 534).

⁴⁵ For example, he appeared on a panel at the Chicago Council of Foreign Relations on February 5, 1964, titled “Foreign Aid—How Much? How Long? For What?” (*Notes on World Events*, February 1964.)

⁴⁶ Millikan (1960, p. 9). The individual whom Millikan named as sharing Friedman’s views, Peter Bauer, coauthored a book on developing economies that appeared in the Cambridge Economic Handbook series during Friedman’s tenure as a general editor of that series. See Bauer and Yamey (1957).

In Rockoff's (1998, p. 148) assessment, the 1940s—both the World War II years and the early period of the Cold War—saw in the United States a “consensus among economists in favor of active government planning,” against the background of general public opinion “that government was competent to enter new areas and could afford to do so.” Friedman had a similar evaluation of the mood prevailing in the 1940s. As he saw it, the very end of World War II had seen enthusiasm in the Western world regarding planned economies: “In 1945, the wave of the future threatened to be a continuation of wartime centralized control.” This sentiment had been encouraged not only by the much better performance of the U.S. and other Western economies in World War II than in the 1930s but also what Friedman recalled as “[a]dmiration for all things Russian.”⁴⁷ The souring of Western/USSR relations and the backlash, especially in Western Europe, against efforts to codify wartime-era controls on prices and allocation had led this mood to dissipate considerably in the late 1940s. A decade or so later, however, Western perceptions of dynamism of the postwar Soviet economy gave rise to a fresh stream of favorable remarks on the USSR's example. In particular, the late 1950s was a period during which the Soviet Union was frequently regarded as a politically-oppressive but rapidly-growing economy, whose perceived economic success posed a challenge to the Western world.

A clear indication that the belief in an economic competition had become a centrist view in the United States was given in a statement by George Leland Bach, of the Carnegie Institute of Technology, to Congress' Joint Economic Committee in 1958. Bach suggested that there was “substantial agreement” on the need for the United States to have more rapid real output growth in the United States, “especially in the light of the economic competition we now face with Russia.”⁴⁸

The perception that the USSR was an economic success would dissolve after the 1950s. As Krugman (1994) recounted, the debunking of the Soviet Union's alleged productivity miracle occurred in the mid-1960s. Indeed, Holloway (1970a, p. 7) named “the failure of his economic policies” as having contributed to the ousting of Nikita Khrushchev in 1964, and by 1965 one press account could refer to “the state of perpetual crisis in the Soviet economy” (*Evening Post* (Wellington, New Zealand), September 7, 1965). Evidence of Soviet economic inefficiencies would then accumulate over the rest of the 1960s and during the 1970s.⁴⁹

⁴⁷ *CBS Morning News*, July 1, 1975, p. 9 of transcript.

⁴⁸ From Bach's testimony of December 15, 1958, in Joint Economic Committee, U.S. Congress (1959b, p. 449).

⁴⁹ For example, about six years after Khrushchev's removal, Holloway (1970a, p. 12) described the USSR as “an economy with a declining rate of growth.” Average real GDP growth in the USSR had indeed fallen from about 5.8 percent in the 1950s to about 3 percent in the 1960s (Easterly and Fischer, 1994, Table 1).

Friedman had little occasion to change his own evaluation, as he had always been a skeptic regarding Soviet economic success. In the immediate postwar period, when the U.S. economy was in recession, he did acknowledge that the USSR seemed, in contrast, to be experiencing growth in output (NBC, 1946, p. 5). But in 1951 Friedman would put the absolute size of the USSR economy into perspective when he noted that the U.S. military effort proposed for the period ahead was “comparable in magnitude to the entire national income of Soviet Russia.”⁵⁰

Friedman not only stressed the comparatively small size of the USSR’s economy but, in contrast to many economists, he also assigned a low probability to the Soviet Union catching up economically with the United States. He laid down this position in a February 1952 panel discussion of the U.S. military budget. Friedman stated in this broadcast that the United States’ economic potential was greater than that of the USSR and that it was well within the country’s power to see to it that U.S. defense spending rose at least as rapidly as the corresponding Soviet total (NBC, 1952b, p. 8).

The opposite viewpoint—stressing the alleged strength of recent Soviet economic performance—would eventually figure heavily in the 1960 presidential campaign—when, as in 1946, the U.S. economy was in a recession while the USSR was continuing to record seemingly impressive growth rates. Assessments along these lines, which were strongly emphasized by the John F. Kennedy side of the 1960 election contest, would contrast the U.S. output-growth performance under Eisenhower with that of the Soviet Union under Khrushchev, who, like Eisenhower, had come to power in 1953.

Friedman was unmoved by these assessments. In part, this was because he rejected the interpretation of U.S. economic performance under Eisenhower. He did concur with critics of the administration that Keynesian fiscal policy had been practiced only to a limited degree in the years through 1960. Indeed, as one reason for this outcome, Friedman cited the Cold War itself. Certainly, he believed there were other reasons, too, and he emphasized President Eisenhower’s personal lack of enthusiasm for Keynesian economics as being one of the most important.⁵¹ But Friedman would also point, in a 1963 lecture, to the fact that in the event in the 1946–1961 period “government expenditures tended to move up or down in accordance with things that had nothing to do with the business cycle, like the Cold War.”⁵² He and Anna Schwartz would also

⁵⁰ NBC (1951, p. 5).

⁵¹ See Nelson (2020a, Chapter 10).

⁵² Friedman (1963, p. 7).

make this point in their *Monetary History*.⁵³ But Friedman did not regard the absence of more aggressive Keynesianism as having held back U.S. economic expansion, on average. He attributed the 1960–1961 recession to a clear-cut monetary policy mistake.⁵⁴ And Friedman felt that the U.S. performance ahead of that recession was being unduly talked down. Specifically, he rejected the view that the United States had entered a stagnant phase. In this connection, in *Capitalism and Freedom* Friedman poured scorn on the idea that U.S./USSR growth comparisons should motivate the Kennedy Administration’s demand-stimulating prescriptions for the United States.⁵⁵ Although the Kennedy proposals involved one measure (tax cuts) that he supported on supply-side grounds, Friedman doubted the demand-stimulating rationale (and accompanying analytical approach centered on the fiscal multiplier) advanced by the administration as its primary motivation for this and other fiscal-expansion proposals.⁵⁶

With respect to the Soviet side of economic performance in the 1950s, Friedman was, furthermore, an outspoken contrarian. This was his posture even during the first Eisenhower term, before the topic of USSR economic competition really took off in U.S. discourse. Alleged Soviet economic dynamism formed a prominent part of the case for Communism made by radical writer Paul Sweezy in a debate with Friedman, convened at the University of Chicago in May 1956 and mentioned above, on the appropriate economic system, and Friedman used the occasion to articulate his skepticism about the USSR economy’s strength (Dan Usher, personal communication, July 4, 2017).

Friedman had reached a negative conclusion on nonmarket economic systems, including Communist systems, both on analytical grounds and on the basis of empirical evidence. The body of relevant evidence included that generated by U.S. and U.K. economic performance in

⁵³ Friedman and Schwartz (1963, p. 596). They suggested that this may actually have been a factor making for increased interest in monetary policy. Although this entailed, primarily, explicitly countercyclical policies of the kind that Friedman often criticized, the rethinking had also, they implied, shifted policymakers further away from the interest-rate-pegging ideas of the early postwar period and so contributing to the “revival of monetary policy” that Friedman and Schwartz largely applauded. From a research perspective, one retrospective benefit of the subordination of much fiscal policy activity in the 1950s to Cold War-related moves was stressed by Ramey (2011), who argued that the exogenous variation in defense expenditures that was produced in this process has proved helpful for obtaining more reliable econometric estimates of the multiplier effects of U.S. government spending.

⁵⁴ See the discussion in Nelson (2020a, Chapter 10).

⁵⁵ Friedman (1962, pp. 37–38).

⁵⁶ Later, during the Johnson Administration, Friedman felt that the Cold War considerations were again invalidly being invoked as a basis for the administration’s macroeconomic measures (in particular, foreign exchange controls) when he criticized administration supporters for “arguing that it’s the Cold War that’s creating your dollar problem” of U.S. balance-of-payments deficits—a phenomenon he instead traced to U.S. monetary expansion, as well as foreign demand for U.S. assets (*Great Decisions 1968 #7: The Dollar in Danger*, National Educational Television, March 17, 1968, p. 11 of transcript).

the century and a quarter to 1914. The economic growth recorded by these private-sector-oriented economies suggested to Friedman that market economies were likely to do better than planned systems in generating growth in productivity and in living standards.⁵⁷

With regard, however, to the specific case of the USSR's post-World War II economic record, part of the process by which Friedman reached his judgment that the Soviet economy was weak, rather than strong, was doubtless his familiarity with the NBER-commissioned research undertaken during the 1950s by his former dissertation student, G. Warren Nutter.⁵⁸ In work conducted during the 1950s and culminating in his book *The Growth of Industrial Production in the Soviet Union* (1962), Nutter marked himself out as a maverick when it came to evaluating long-term Soviet economic prospects. "Basically," his son Coleman Nutter would recall (interview, April 18, 2014), "what he was saying was that a lot of the 'Soviet miracle' was exaggerated to begin with, as the past numbers were exaggerations, and secondly—and I think much more importantly—that, in his opinion, their growth was slowing rather dramatically. And that, I think, was, to economists, a more important statement—a more controversial statement."

Along these lines, Warren Nutter (1957, p. 628) observed that "there are good reasons for doubting that the [Soviet economic] performance in these short periods [1928–1937 and 1948–1955] can be sustained over the long haul." Nutter noted that, in the state-controlled Polish press, Oskar Lange, former University of Chicago economist and now a leading Polish government official, had frankly acknowledged that some of the advances that Poland—a USSR satellite—had recorded in quantitative indices of production may have masked the possibility that the new output produced was, on average, substandard in quality. Nutter suggested that some of the apparent Soviet economic success might turn out to be hollow for the same reason.⁵⁹

As John H. Moore noted, when Nutter first reported his findings in the mid-1950s, "they were very controversial" (John H. Moore, interview, April 29, 2014).⁶⁰ In retrospect, and making use of improved access to Soviet economic data, Moore would conclude that Nutter may well have actually *overestimated* the USSR's economic performance (see Moore, 1992). In the 1950s, however, Nutter's analysis conflicted with the favorable assessment of the USSR economy's record that was being espoused in the United States by numerous economists and national-

⁵⁷ On his views in this respect, see Nelson (2020a, Chapters 4, 9).

⁵⁸ Friedman would allude to Nutter's research, and its conflict with others' findings, in Friedman (1964, p. 167).

⁵⁹ Nutter (1957, p. 630).

⁶⁰ See also Schroeder (1995, p. 208).

security experts.⁶¹ Nutter's findings were not only disbelieved but also were perceived as unhelpful to the U.S. defense effort and the rallying of the American population. "There were people in the administration that called him a traitor for writing what he wrote," Coleman Nutter recalled (interview, April 18, 2014). Nutter's widow Jane Nutter noted that Nutter's critics "didn't like him saying that they [the Soviets] *weren't* going to bury us—[at least] not economically." (Jane Nutter, interview, April 21, 2014.)

For his part, Friedman was very much on Nutter's side of the debate. He was critical of the negative reception that Nutter had received from other researchers on the USSR and blamed this backlash when, in early 1961, Nutter was denied an application for a research grant.⁶²

Consistent with Nutter's results, Friedman in his own writings in this period deprecated what he called the Soviet leaders' "claims of great economic accomplishments."⁶³ Economic planners, he stressed, did not share with the free-market economy the ability to adapt flexibly to technological innovation. He questioned the growth success claimed by the leaders of the USSR: "the economic gains some of them boast about," Friedman contended, were in "indices of 'investment output' or 'industrial production' or 'national income.'"⁶⁴

The final one of these categories may seem a surprising item for Friedman to discount. Did not a gain in "national income" represent a legitimate basis on which to claim economic progress? For Friedman, the answer was in the negative in the case of the Soviet economy. This was so even if the reported economic growth rates for the USSR were largely taken at face value—and Friedman was willing to do this with regard to the growth rates of the late 1950s and early 1960s, concurring that this period had seen "remarkable progress in terms of goods production" in the USSR (*Chicago Daily News*, May 20, 1963). A key reason why his verdict was nevertheless negative was that the increases in production had been concentrated in defense industries and in

⁶¹ See Levy and Peart (2011) for an analysis of the evolution of views of Soviet economic strength. Focusing on presentations given in U.S. economics textbooks, Levy and Peart date the acceptance of USSR economic weakness to the early 1980s. (In a related vein, Gary Becker, in *Business Week*, August 17, 1992, suggested that as late as the mid-1970s it was believed that growth in living standards had been at least as good in command economies as in market economies.) However, the aforementioned Krugman (1994) discussion, as well as much other evidence, suggests that this acceptance occurred earlier, and that by the beginning of the 1970s the bulk of specialists on the Soviet Union accepted that the USSR was not a serious economic competitor with the United States. By the end of the 1970s, this judgment was also embedded in textbooks, with a principles text coauthored by Friedman's former student David E. Lindsey observing that Soviet economic growth had been based primarily on expansion in the volume of production inputs (Dolan and Lindsey, 1977, p. 601).

⁶² Milton Friedman letter to G. Warren Nutter, March 8, 1961, Milton Friedman Papers, Hoover Institution archives, Box 31, Folder 16.

⁶³ Friedman (1958b, p. 253; p. 35 of 1962 reprint).

⁶⁴ See Friedman (1957, p. 71).

specific nonmilitary projects: such endeavors, while perhaps adding to national prestige, did little to raise ordinary citizens' living standards.⁶⁵

With regard to the criterion of raising living standards, Friedman's skepticism about the revived interest in the United States in the planned-economy template was shared by some former members of Eisenhower's Council of Economic Advisers (CEA). One of them, Neil Jacoby, pointed, as Friedman often did, to the United States' historical growth record as evidence of the productivity benefits of reliance on market mechanisms. Notably, Jacoby (1956, p. 7) observed that in view of the growth that had occurred in U.S. household living standards from 1900 to 1955, it was "strange... that some Americans" doubted the economic superiority of capitalism over Communism. Former head of the Eisenhower CEA, Arthur Burns, took a somewhat different line of argument. Although not disputing poor past USSR performance nor the better economic potential of a market economy, Burns seemed, in contrast to Friedman and Nutter, prepared, to some extent, prepared to accept the accounts of Soviet productivity gains. He saw these gains as stemming from the Soviets' (limited) introduction of incentives for producers and workers, under which "the Russians have rediscovered one of the main secrets of Western economic success" (quoted in *Cleveland Press*, August 24, 1960).⁶⁶ Evidently, then, although he accepted Soviet economic success at face value to a greater extent than did Friedman and Nutter, Burns reached a similar bottom line to that of Friedman—that is, that the Soviet Union's economic record did *not* suggest that the key to prosperity lay in extensive public-sector direction of resources.

In contrast, Friedman was very reluctant indeed to apply to the case of the Soviet Union the sort of argument that Burns had made. This was because Friedman was skeptical that the incentive schemes associated with a fully operative market-based price system could really be introduced on a major scale into a Communist or socialist system, as it would take decisions regarding resource allocation away from the planners. Measures short of this would not give prices the multiple functions that they had in a decentralized market system and so would not deliver the desired improvements in economic efficiency (see Nelson, 2020a, Chapter 4).

⁶⁵ Friedman (1964, pp. 166–167) was perhaps the place in which Friedman laid out this position most explicitly. On another occasion, Friedman pointed to the Soviets' emphasis on heavy industry, military production, and satellite launches as demonstrating the USSR's tendency to mobilize resources in directions that did not improve households' standards of living (Friedman, 1958c, p. 510; p. 87 of 1987 reprint).

⁶⁶ This was one of a number of times in the post-Stalin era when it was said that the USSR economy was being imbued with market-like incentives as a means of boosting production or encouraging innovation. In the early Brezhnev era, for example, there was Western media commentary about "the injection of the profit motive into the Soviet economy" (*The Observer* (London), May 2, 1965). See also Nove (1972).

Correspondingly, Friedman played down the extent to which the USSR economy had actually had a material liberalization—political or economic—under Khrushchev. He later named “Stalin, Khrushchev, and Mao” as having together provided “the ugliest face of collectivism” and, in so doing, having greatly lowered, over the two decades after World War II, the amount of support for Communism in Western intellectual circles.⁶⁷ And when Friedman referred the closing pages of *Capitalism and Freedom* to “the evil men in the Kremlin who promise to bury us,” he not only made it clear that he did not consider Khrushchev a major liberalizer but also indicated, in the same passage, that he regarded “the threat from the Kremlin” to be a literal burial of the United States through world war rather than a figurative burial in the form of the Soviet Union surpassing the United States economically.⁶⁸ The military forces and potential of the Soviet Union were great, he reaffirmed, and they required that the United States continue to “devote a sizable fraction of our resources to our military defense.”⁶⁹ But Friedman did not see the USSR becoming a first-rate economic power.

Likewise, in the period after Khrushchev’s departure, Friedman maintained that the Soviet system remained a highly centralized and dictatorial one, and he noted that a market system, in contrast, did not confer on any individual the “power that a Brezhnev [the Soviet Communist party general secretary] or a Kosygin [the USSR’s prime minister] has in Russia.” (*Playboy*, February 1973, p. 66).⁷⁰ He also stressed that, under successive Soviet leaders, the penalties facing a failed executive in the two systems remained fundamentally different: “The American manager has to worry about getting fired; the Soviet manager has to worry about getting fired at!,” Friedman remarked in December 1975.⁷¹

“If economic growth means a rise in the living standard of a nation’s people,” Friedman had observed while in Tokyo in May 1963, “we can say that there is no economic growth in a planned economy.” (*Chicago Daily News*, May 20, 1963.) This statement was especially notable, as it confirmed that a visit that Friedman made to the Soviet Union in late 1962, during the Khrushchev era, had not altered his adverse verdict on the country’s economic performance.⁷²

⁶⁷ Friedman (1981, p. 5).

⁶⁸ Friedman (1962, p. 201).

⁶⁹ Friedman (1962, pp. 201–202).

⁷⁰ Reprinted in Friedman (1975, p. 31; 1983, p. 50).

⁷¹ Friedman (1976a, pp. 11–12; 1976b, p. 568). See also Friedman and Friedman (1980, p. 147).

⁷² In Friedman and Friedman (1998, pp. 282–290), both authors relayed numerous negative impressions of the USSR that arose from their 1962 visit.

This was one of many statements that Friedman made over a 30-year-plus period that stressed the absence of substantial Soviet economic achievements. In 1957 and 1958, Friedman declared that the living standard for the ordinary Russian citizen had not improved on its pre-Revolution level.⁷³ Friedman made similar claims in subsequent years, as indicated above, and also stated that the same was true generally of “the Communist countries behind the Iron Curtain” (*Wall Street Journal*, April 30, 1962). Even in the 1980s, Friedman held that the living standards of the bulk of the population had been virtually stagnant in the USSR since it was founded.⁷⁴

Contrary to this assessment, however, detailed retrospectives on the USSR’s economic performance have suggested that household living standards, while bearing the brunt of a large diversion of resources to the military effort, did rise somewhat until the late 1960s: see, especially, Brainerd (2006).⁷⁵ But these studies, as well as the unfolding of events, have also borne out Friedman’s emphasis during the 1950s on the Soviet Union’s fundamental economic weakness. In particular, the 1950s portion of Khrushchev’s 1953–1964 leadership was thought at the time to be associated with considerable advances in productivity (and so being associated with national economic advance, even if the amount allocated toward greater provision of household goods was a meager share of the increase). The retrospective judgment has been that the Soviet Union’s economic growth over this period, although indeed associated with sizable increases in gross domestic product or gross national product aggregates, actually consisted very largely of increases in inputs of production, rather than (as implicitly or explicitly suggested by many Western analysts or commentators at the time) growth in productivity—so while output registered increases, total factor productivity advanced much less. Total factor productivity growth in the USSR was subsequently assessed by U.S. specialists to have averaged a bit above 1½ percent per year in 1950–1960, basically unchanged from the prior two decades (Ofer, 1987, Table 1, p. 1778). And it was judged by U.S. analysts in the early 1970s that, in the decade to 1967, total factor productivity growth had slowed down in the USSR by about 1 percentage point to below 1 percent (Bergson, 1973, Table 1, p. 3).

Indeed, even officially approved publications in the USSR made telling admissions on this score. Within the strict limitations on public discussion imposed in the Soviet Union during the 1960s

⁷³ See his remarks in Friedman (1957, p. 71; 1958c, especially p. 510 [p. 87 of 1987 reprint]) and in *The Lima News* (Ohio), July 17, 1958.

⁷⁴ See Friedman and Friedman (1980, p. 146) and Friedman’s remarks in *Forbes*, December 12, 1988, p. 165.

⁷⁵ With regard to total factor productivity across specific decades, analysis in the West suggested that growth was positive in the USSR in the 1960s (averaging about 1.5 percent per year), but then flat in 1970–1975, and that the share of household consumption in output fell by about 4 percentage points across the two periods (Ofer, 1987, Table 1, p. 1778; Fischer, 1994, Table 7.5, p. 229). See also the comparisons of the 1950s and the 1960s discussed below.

and 1970s, various acknowledgments—both tacit and explicit—appeared in the Soviet press of the great continuing gap between Soviet and U.S. economic performance. Harvey, Goure, and Prokofieff (1972, p. 10) noted: “The current Soviet leadership has all but dropped, in its talk about victory through economic competition, euphoric claims of the Khrushchev type with respect to ‘overtaking and surpassing’ the U.S. in various specific areas of production related to general economic wellbeing.”⁷⁶ The leaders’ statements and other authoritative Soviet commentaries conceded specifically that productivity performance in the USSR was deeply unsatisfactory. “For almost a decade, the Russians have engaged in a massive self-criticism campaign [regarding] science and technology that is almost unprecedented in its intensity, frankness, and sobriety,” former U.S. ambassador to the USSR Foy Kohler remarked (1972, p. xii). Correspondingly, while a 1968 article in the Soviet press still referred to actions to be taken “in the interests of achieving the main goal—victory in the economic competition of the two world systems,” this victory was cast in aspirational terms and made conditional on a major change in USSR performance.⁷⁷ And, in one of numerous public acknowledgments of the continuing gap, a 1973 Soviet book *Technical Progress and the Revolution in Military Affairs* contained a passage in which the editor N.A. Lomov wrote that “in solving the basic questions of economic development... an acceleration of scientific-technical progress is of prime concern.”⁷⁸

6. Conclusion

The preceding analysis of Milton Friedman’s statements over the 1950–1968 portion of the Cold War has indicated that, although he was strongly antagonistic toward Communism and shared the view that the Soviet Union’s military threat underlined the need for a major U.S. military effort, he expressed opposition to a number of prominent policies and positions that were taken in the course of the Cold War by leading American opponents of the USSR. First, Friedman opposed the McCarthy anti-Communist movement of the 1950s and, in particular, its efforts to restrict the private-sector employment opportunities available to those suspected of being Communists. In doing so, he took a position that was in line with that of many other academic

⁷⁶ These authors also noted the Soviet Union’s continuing ambition to surpass U.S. production aggregates “in particular areas of the favored heavy-industry sector.” As Friedman’s statements in the late 1950s indicated, however, this was not a new theme in the USSR’s discussion of its economic ambitions. What was new was their more candid acknowledgment of the modesty of improvements in living standards and in aggregate productivity.

⁷⁷ The quotation was given in Holloway (1970b, p. 73), who sourced it to a 1968 article by Solnyshkov in the Soviet journal *Voenizdat*. Even one prominent bullish statement on the economy in the Soviet press (made by M. Suslov in *Pravda* on November 7, 1970) set a conditional tone by acknowledging that there were obstacles to be overcome: “the mighty Soviet industry is now capable of solving the most difficult technical problems of our time and of guaranteeing reliably the steady and rapid growth of our homeland’s economic potential” (quoted in Jacobsen, 1972, p. 73).

⁷⁸ From the translated excerpt in Inman (1976, p. 11).

economists, including Paul Samuelson, but that was contrary to that advanced by a number of prominent public figures at the time (and that was also at variance with Samuelson's retrospective characterization that Friedman was silent on McCarthyism or, perhaps, approved of it). Second, whereas there was support among many U.S. experts in the late 1950s and early 1960s for economic aid to developing economies as a Cold War measure, Friedman took a public stand against such aid. Third, Friedman took a contrarian position on the performance of the Soviet economy and deprecated the notion that the USSR was, or could be, a serious economic competitor with the United States. This contrarian stance—a minority position in the late 1950s in the United States—had gained wide acceptance by the end of the 1960s.

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This bibliography consists of two parts: a chronological listing of the media items (pieces in sound, television, newspaper and magazine sources) that have been cited in this study, and a reference list, in alphabetical order, consisting of the research papers and books that have been cited.

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