

Changing the Course of History

Following are the remarks of Secretary of Defense Donald Rumsfeld (a longtime *Cato* Sponsor) at the White House ceremony on May 9.

As a young congressman in the 1960s, I used to go to seminars at the University of Chicago, where Bob Goldman was director of the Center for Continuing Education. He would gather a cluster of geniuses and then allow a few young pups to come in and learn at their feet. As a then-young pup, I was privileged to participate on a number of occasions.

I remember well the conference on the all-volunteer Army. Milton was so persuasive that I became an early advocate. I introduced legislation and testified before the House and Senate Armed Services Committees; and then, as a young cabinet officer in the Nixon administration, I worked

written on the back of an envelope, was only a paragraph or two, and it embarrassed the president because inflation was rising and the president wasn't stopping it. So Congress passed a law saying that the president shall have the right to control wages and prices. I put the law on the floor in my office, next to my desk. And then every time the Wage Board, or the Price Commission, or the Health Services Board, or the Rent Board, or the Construction Stabilization Industries Board, any one of those alphabet boards that were spawned by this Economic Stabilization Act issued a regulation, we stuck it on top. Before too long, the pile started working its way up to the ceiling—a reminder for everybody of the potential damage we were doing.

We kept granting exceptions, letting out everybody; we kept freeing up all of these categories. We had tiers, and we would let this group go free of wage controls and that group go free of price controls, because it was an option.

After a while, Milton Friedman called me up and said, "You have got to stop doing what you are doing." And I said, "Why? Inflation used to be up at around 6 or 7 percent; it's now down to about 4 or 5 percent. We're freeing up all kinds of activities. We're not doing much to damage the economy." He said, "I know, I know that. But you're not the reason inflation is coming down, and you know that!" I said, "That's true." And he said, "The problem is that people are going to think that you're doing it, and you're not—you're letting

everybody out and inflation's coming down and they're going to learn the wrong lesson." He did not quite go so far as to say that I should start damaging the economy, but that was right underneath what he was telling me. And of course he was correct.

The central theme of Milton's work in public policy has been the defense and promotion of human freedom and the critical link between political and economic freedom. Government, he has told us, has

three primary functions: It should provide for the military defense of the nation. It should enforce contracts between individuals. And it should protect citizens against crimes against themselves or their property. Milton, I'm relieved defense made the cut. Building a truly great society requires, not the power of government, but unleashing the power of human freedom, creating a climate in which millions of individuals can think, speak, create, and build.

People behind the Iron Curtain were listening—the dissidents and intellectuals of the captive nations, who were later to become the presidents and prime ministers of free nations. One such prime minister was recounting the steps his country was taking to build a free-market society out of the rubble of communism. Dick Armev asked where the government got its ideas for reforms. The prime minister replied, "We read Milton Friedman and F. A. Hayek." So, yes, he has changed the course of history.

So today, Milton, as we say when we are visiting our troops around the world—the men and women who defend what you have helped to build—thank you for what you do for our country. ■



Milton Friedman on stage for the presentation of the Milton Friedman Prize for Advancing Liberty at the Cato Institute's 25th Anniversary dinner.

to help achieve the all-volunteer service.

Later, George Shultz asked me if I would run the wage and price controls for the United States of America. As I recall, it was not Milton Friedman but H. L. Mencken who once said, "For every human problem there is a solution that is simple, neat, and wrong." Richard Nixon found it.

Early on, I figured out that the key to success was not to even try to manage wages and prices. Senator Proxmire's law, I think

"My views on government spending can be summarized by the following parable. If you spend your own money on yourself, you are very concerned about how much is spent and how it is spent. If you spend your own money on someone else, you are still very much concerned about how much is spent, but somewhat less concerned about how it is spent. If you spend someone else's money on yourself, you are not too concerned about how much is spent, but you are very concerned about how it is spent. However, if you spend someone else's money on someone else, you are not very concerned about how much is spent or how it is spent."

—Milton Friedman
at White House ceremony
in his honor, May 9, 2002