

Book Reviews

Milton Friedman and Economic Debate in the United States, 1932–1972. 2 Vols. *By Edward Nelson*. Chicago: University of Chicago Press, 2020. Vol. 1: xviii + 737 pp. Illustrations, tables, bibliography, index. Cloth \$50.00. ISBN: 978-0-226-68377-5. Vol. 2: xiv + 587 pp. Illustrations, tables, bibliography, index. Cloth \$50.00. ISBN: 978-0-226-68489-5.

doi:10.1017/S0007680521000325

Reviewed by Peter L. Rousseau

In this pair of engaging volumes, Edward Nelson of the Board of Governors of the Federal Reserve System crafts a comprehensive portrait of arguably the greatest economist of the twentieth century. Beginning with Milton Friedman's undergraduate days as a student of Homer Jones and Arthur Burns at Rutgers University, Nelson takes the reader through Friedman's graduate career at the University of Chicago and then Columbia University, and his time as a young economist and mathematical statistician at the US Treasury. The narrative then turns to Friedman's early years on the Chicago faculty leading to seminal work on utility function curvature (with Leonard Savage) and his 1951 award of the third John Bates Clark Medal from the American Economic Association. Nelson later covers Friedman's rise as intellectual leader of the monetarist school, renowned Fed critic, pop-culture icon, and occasional advisor to the Nixon administration. All the while, the humanity of this remarkable figure shines through so that, by the end of the second volume, this reader felt almost as if he knew the 1976 Nobel laureate as well as the author.

Nelson holds the reader in his sway over more than eight hundred pages of main text by varying the content between anecdotes about Friedman's life—as recounted by many of his former colleagues, coauthors, and students, including Robert Lucas, Anna Schwartz, Gary Becker, Michael Bordo, Sam Peltzman, Carl Christ, and others—and a carefully researched primer for understanding Friedman's world view through an analysis of his academic record. Nelson's review is not limited to Friedman's best-known articles, such as the 1967 AEA presidential address, but includes literally *all* of them, supplemented by Friedman's many periodical columns, public interviews, and personal notes. The entertaining stories from Friedman's career bounce back and forth freely across time over the course of the two volumes but

Business History Review 95 (Summer 2021): 341–372.

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never once seem out of place. And it is through this deep context that Friedman's career and contributions truly come into focus.

After covering Friedman's pre-monetarist period to 1945 and early indications of his transition to monetarist ideas after the war, Nelson devotes the main portion of volume 1 to expounding Friedman's contributions from the 1950s, beginning with the pathbreaking *Theory of the Consumption Function* (1957) and its treatment of the permanent income hypothesis and then moving on to money demand and policy rules. In so doing, he grapples with the common impression that Friedman's work lacked a distinct theoretical model to underpin its monetarist perspectives, for which his 1970 invited contribution in the *Journal of Political Economy* is sometimes held up as an example owing to its embedding of ideas in a standard IS-LM framework. Nelson contends, however, that Friedman did indeed have an implicit model in mind, but that it becomes clear only when the body of work is assessed as a whole. Assuming rational expectations for simplicity, a tool Friedman ironically did not have at hand when developing some of his most important ideas, Nelson lays bare the essence of Friedman's work to show that, while many insights appear nested within the Keynesian paradigm, they nonetheless form a distinct model carrying very different implications based on parameter restrictions. For example, Nelson describes how restrictions on the role of inflationary expectations and the responsiveness of inflation to the output gap, among other relationships, are what set Friedman's model of the Phillips curve apart from others.

The start of volume 2 finds Friedman on the cusp of publishing his landmark work with Schwartz, *A Monetary History of the United States* (1963), but not before Nelson traces the decade and a half of its prepublication development, as well as Friedman's burgeoning career as a very public figure by the late 1950s. Nelson also faithfully documents how Friedman's criticisms of Federal Reserve policy during the Great Depression led to tensions with Burns, who was president of the National Bureau of Economic Research at the time of its publication, while emphasizing how the two men continued to share a mutual respect and civility. Even though Friedman's main academic contributions had been made by the time *A Monetary History* came into print, the 1960s remain the period when Friedman's influence on public policy, and on monetary policy in particular, reached its zenith, and Nelson describes how Friedman used his influence effectively to challenge traditional Keynesian views with verve and determination.

Nowhere in these volumes does the development of Friedman's views receive a more fluid treatment than in describing the expectations-augmented Phillips curve and Friedman's insights about its long-run verticality and relation to the natural rate of unemployment.

While he had started his career as something of a Keynesian himself, Friedman's transition to monetarist and critic of the standard model fostered active and frequent debates in the 1960s with leading Keynesians such as Paul Samuelson and James Tobin, both in print and on television. Nelson describes vividly how Friedman, through these appearances, brought practical economics into living rooms across the United States, leading to the profession's great heyday in this period. Volume 2 also covers the gradual shift in Friedman's focus away from academic research and toward policy by the late 1960s, when, after being a well-known critic of monetary policy during the Kennedy and Johnson administrations, he had the opportunity to be both supportive of President Nixon and disappointed with his price control policies at the same time.

It is safe to say that these volumes are and will continue to be the definitive works on Friedman's career. The depth of the background research is remarkable, and the work stands as an important contribution to the history of economic thought. But it is really so much more than that. It is an intellectual history and biography of Friedman, all in one, as seen through the eyes of a monetary economist able to draw from a deep academic knowledge of the field to integrate multiple perspectives on Friedman's work with his own unique take on them. It is much recommended.

Peter L. Rousseau is Gertrude Conaway Vanderbilt Professor of Social and Natural Sciences at Vanderbilt University. His most recent article is "Jackson, the Bank War, and the Legacy of the Second Bank of the United States" (AEA Papers and Proceedings, 2021).

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The Edge of Anarchy: The Railroad Barons, the Gilded Age, and the Greatest Labor Uprising in America. By Jack Kelly. New York: St. Martin's Press, 2018. 308 pp. Maps, notes, bibliography, index. Cloth, \$28.99. ISBN: 978-1-250-12886-7.

doi:10.1017/S0007680521000234

Reviewed by Albert J. Churella

The Edge of Anarchy reminds readers that issues of income inequality, social justice, and a living wage are not unique to the early twenty-first century. While some historians may dispute the status of the 1894 Pullman Strike as "the greatest labor uprising in America" (the events of 1877 are certainly in contention for that distinction), most would acknowledge the dislocations that occurred in the Gilded Age.