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Coming to Grips With Friedman's Big Idea

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Economist Milton Friedman was the last of the 20th-century titans who saw freedom as not just a pleasant adjunct to material well-being, but as an indispensable prerequisite to economic prosperity. His passing last Thursday at age 94 provides an excellent opportunity to consider where profound economic ideas come from, and what becomes of them in real life.

As frequently happens with prophets, their ideas are given to the public, not just to presidents, ministers and big business. It is the millions of workers, employees and consumers who, while not participating in the discourse on economics, shape the country's economic life in its most distilled form through their daily decisions.

Friedman's most popular book, "Capitalism and Freedom," puts forward convincing arguments in support of economic freedom -- an economy in which government intervention is minimized. But these arguments are theoretical; they border on economic and political philosophy. Friedman based them on long years of research into monetary policy. The book that sums up the results of his research, "The Monetary History of the United States," is co-authored with Anna Schwartz. Despite not being very accessible to the lay reader, it is nevertheless convincing as a result of the thoroughness and accuracy of Friedman's scientific analysis. Behind the abstract idea that "freedom of choice is necessary for economic prosperity" stands specific analysis of real economic policy.

Of course, the deeper the idea, the more cautious we must be in basing practical conclusions upon it. Consider any acute problem of the Russian economy; for example, isn't the application of anti-monopoly policy too soft in relation to Gazprom, the largest Russian monopoly? And is the IT and Communications Ministry properly providing for the communications market? While it is a given that economic entities must have the greatest possible freedom of choice, it does not follow that Gazprom can expand its market share by devouring independent gas producers or by setting consumer prices -- both without state regulation.

Freedom here refers not to absolute freedom for monopolies, but to freedom for other companies to operate and to be protected from encroachment by monopolists and to freedom of consumers to purchase goods from the suppliers of their choice.

Freedom of choice for third-generation communications companies in no way implies that existing mobile phone service providers can decide how many new licenses will be issued on the new market. The Association of Third Generation Network Providers recently recommended that three national communications licenses be issued, which is equal to the number of major mobile phone system operators. The freedom which must be protected here is the freedom to enter and compete on the market.

So what are you supposed to do when you encounter a profound but abstract economic idea? For starters, you can go back and try to understand the source material upon which the author based his study. After that, it will be much easier to comprehend the problems of today.

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