

Nov 20, 2006

Monday Morning Outlook

Date/Time (CDT)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-20 / 9:00 am	Leading Indicators	+0.2%	+0.2%		+0.1%
11-22 / 7:30 am	Initial Claims	310K	305K		308K

So Long Uncle Milty

In the midst of a very heavy data week – inflation, retail sales, industrial production, initial claims, Philly Fed, and housing starts – some unexpectedly sad news hit hard last Thursday. The world was notified that Milton Friedman (“Uncle Milty”), at age 94, had passed away. As a result, we were forced to stop looking at the trees of near-term data, and compelled to think more about the forest of bigger questions.

We are *not* referring to a question often asked at times like this – “What really happens to us after we die?” – even though this is an important issue. What we are referring to is Milton Friedman’s powerful arguments for freedom and against tyranny, and his seminal work on monetary policy. His work did more to change the world in the second half of the 20th century than any other economist. What may be most impressive is that he became so influential despite the fact that he was derided by mainstream academia as a fringe element.

His ideas were the antidote for Keynesian and collectivist thinking. Collectivists believed that individuals should bow to the needs of the whole, while Keynes argued that markets could not be trusted and that government should be used to steer the economy away from the dangers of free markets.

Friedman called inflation a “disease” and argued that it was not caused by too much economic growth or capitalism, but instead was caused by excessive creation of money by government. He also believed that big government, by limiting freedom, undermined economic progress. In 1980, he wrote that that government growth in the US threatened “to bring two centuries of economic progress to an end.”

Week of November 27, 2006

Date/Time (CDT)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-28 / 7:30 am	October Durable Goods	-4.5%	-2.5%		+8.3%
11-28 / 9:00 am	October Existing Home Sales	6.19M	6.1M		6.18M
11-29 / 7:30 am	GDP Q3	1.8%	+1.8%		1.6%
11-29 / 9:00 am	October New Home Sales	1054K	1040K		1075K
11-30 / 7:30 am	November Initial Claims		305K		
11-30 / 7:30 am	Oct Personal Income and Outlays	+0.6%	+0.5%		+0.5%
11-30 / 9:00 am	November Chicago PMI	55.0	56.0		53.5
12-1 / 9:00 am	October Construction Spending	0.0%	0.0%		-0.3%
12-1 / 9:00 am	November ISM Index	52.0	53.5		51.2
12-1 / 9:00 am	November Domestic Vehicle Sales	12.5M	12.8M		12.4M

Brian S. Wesbury; Chief Economist

His prescription for fixing the stagflation of the late 1970s – tighter money and more freedom – was the course of action that Ronald Reagan set upon. It worked. Friedman’s ideas have also reshaped many other countries, including China and India, and without a doubt we can say that he has improved the lives of billions of people.

Friedman was a force of nature. His precise arguments were bolstered with facts and exhaustive research. He always found interesting and understandable ways to argue his points. He was tireless and he truly respected his fellow man. We know many people who corresponded with him to argue an arcane point or ask a question. Uncle Milty *always* responded, sometimes with two page letters. His archives are a treasure trove of thought and argument that will be mined for decades, and possibly centuries to come.

The former Primer Minister of Estonia, Mart Laar, credits Milton Friedman’s ideas for helping him move his country toward freedom and away from communism. Estonia now has a flat income tax and according to the Heritage Foundation’s Index of Economic Freedom, is the 39th most free nation in the world. President Laar has said that he was especially enamored by Milton and Rose Friedman’s book *Free to Choose* – the title is made up of two words that communists hate, freedom and choice.

In this week of Thanksgiving, remembering Milton Friedman, forces us to focus on the fact that so much of our good fortune comes from freedom. Even more importantly, freedom depends on pushing back against the tireless forces of tyranny.