

## **Transcript of Video Remarks**

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Presented at “A Liberal Agenda for the New Century: A Global Perspective,” a Conference cosponsored by the Cato Institute, the Institute of Economic Analysis and the Russian Union of Industrialists and Entrepreneurs, April 8-9, 2004, Moscow, Russian Federation.

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It’s a pleasure to be able to address this group from a long distance through the miracles of modern telephony. Economics is a subject, which like many other sciences, does not admit a controlled experiment. But it does admit a natural experiment, and we rely a great deal upon those natural experiments. The fall of the Berlin Wall fifteen years ago brought to an end one of the most dramatic natural experiments ever conducted—the natural experiment between a collectivist society and a free market society, between two ways of organizing economic activity, from the top down or from the bottom up.

That experiment ended conclusively and decisively. But it left us with a real problem: where do we go from here? It also produced an enormous expansion in freedom around the world everywhere. More people have been set free from central control in the past fifteen years than in almost any other period in human history. But that also, as I say, launched a new natural experiment on the alternative routes from central planning to capitalism. How do we go from a centrally planned society to a free market society?

When I was first asked that question about fifteen years ago, I had a very simple, straightforward answer. Three words—privatize, privatize, privatize. In the light of the

past years, we know that that's much too simple an answer. It has to be accompanied at least by two more things: providing a legal framework for private property and providing a reasonably stable monetary policy. But there are many more things involved, and the process of transition is not a fast one, but a very slow one.

There is a tendency for the newly changing countries to look at the successes as their models, to look at the United States, to look at Britain, to look at other advanced countries. But I believe this is a serious mistake. Currently, in the United States, government spends about forty percent of our national income; in Britain, it's higher than that. When the United States was first started back in the 18<sup>th</sup> century and for the next century and a half, government spending never exceeded more than about ten percent of national income. If, in those early days, the United States government had been spending forty percent of the national income, I can assure you the United States would never have developed.

The proper model for the countries that are now trying to make their way is not the United States of today, not the Britain of today, it is the United States of two hundred years ago, the Britain of two hundred years ago—a time when government played a much, much smaller role and individual initiative played a much larger role. As a citizen, I am delighted by the growth of freedom that we have seen in the past decade and a half. As a scientist, I am fascinated by the new avenues we will get from the many experiments that are going on around. May you have a successful conference. Thank you.