

**Lex Fridman Podcast #457 - Jennifer Burns: Milton Friedman, Ayn Rand, Economics,
Capitalism, Freedom**

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Lex Fridman

The following is a conversation with Jennifer Burns, a historian of ideas including the evolution of economic, political, and social ideas in the United States in the 20th century to today. She wrote two biographies, one on Milton Friedman and the other on Ayn Rand, both of which I highly recommend. This was a super technical and super fascinating conversation. At the end, I make a few comments about my previous conversation with President Zelenskyy for those of you who may be interested. This is the Lex Fridman Podcast. To support it, please check out our sponsors in the description. Now, dear friends, here's Jennifer Burns. You have written two biographies, one on Milton Friedman and one on Ayn Rand. So if we can, we will focus on each one separately, but first, let's talk about the ideas that two of them held in common, the value of individual freedom, skepticism of collectivism, and the ethics of capitalism. Can you talk about the big picture ideas they converge on?

Jennifer Burns

Yeah. So, Milton Friedman and Ayn Rand, in the biggest picture, they're both individualists, and they're skeptical of collectivities and collectivism. So, their unit of analysis is the individual. What's good for the individual? What works for the individual? Their understanding of society flows from that. They also both use this focus on individualism to justify and to support capitalism as a social and economic system. So, we can put them in a similar category. We can call them individualists. We could call them libertarians of a sort. They're also really different in how they approach capitalism, how they approach thinking. Ayn Rand developed her own moral and philosophical system to justify individualism, and to connect the individual to capitalism, and to support capitalism as a social and economic system. Friedman struggles a bit more with how to justify capitalism, and he'll ultimately come down to freedom as his core value, like his God, as he says. So, freedom does connect back to the individual, but he's not justifying capitalism for his own sake. He's justifying it for its ability to underwrite freedom in a social sense and also in the individual sense

Lex Fridman

At a high level, are there interesting differences between them? You already mentioned a few, maybe in terms of who they are personally, maybe in terms of how they approach the justification for capitalism, maybe other ways.

Jennifer Burns

Yeah, for sure. So beyond this idea that Milton Friedman takes a while to come to his justification of capitalism, whereas Ayn Rand has it from the start. She really focuses on the core quality of rationalism and rationality. Rationality is the defining feature of human beings, and so she works from there, whereas Milton Friedman eventually converges on this idea of freedom. So, that's one part of it. The other is their intellectual styles are really, really different. Their interpersonal styles are really different. So, Friedman has big ideas, big principles that guide him, but he's also deeply empirical. He spends most of his career

doing historical research, economic research, pulling data from how people actually make economic decisions, and live in the world, and using them to test and refine his theories. Where Rand, to some degree, we could say she's empirical and that she lives through the Russian Revolution, and takes a very big lesson from that, but her style of thinking is really first principles, an axiomatic approach going from the basic idea of rationality, and then playing it out in different spheres. So, those are just very different intellectual approaches, and then they lead in some ways to really different ways of thinking about how you get things done in the world. Ayn Rand is a purist. She wants to start with the pure belief. She doesn't want it to be diluted. One of her favorite sayings was, "It's earlier than you think." In other words, we're still moving towards a place where we can really hold and express these ideals purely. Friedman, although he didn't use this terminology, he was much more half a loaf guy like, "I'll take what I can get, and then I'll try to move to where I really want to be." But he is able to compromise, especially when he moves from being an economist into being more of a political thinker. So, that's a really different intellectual style, and then it also plays out in their lives, and that Ayn Rand is incredibly schismatic. I mean, she wants her friends to believe what she believes and support what she supports. She's willing to break a relationship if it doesn't match. Milton Friedman, he also does tend to have friends who agree with him, yet he's always willing to debate his opponents, and he's willing to do so with a smile on his face. He's a happy warrior, and he actually will win a lot of debates simply by his emotional affect and his cheerfulness and his confidence, where Rand will lose debates because she gets so angry in the face of disagreement. So, they have a lot of similarities and a lot of differences, and it's been really fascinating to dive deep into both of them.

Lex Fridman

I just re-listened to Ayn Rand's, I think, last lecture, or at least it's called that, and just the confrontational nature of how she answers questions or how she addresses critics and so on. There is a kind of charisma to that. So, I think both of them are very effective at winning over a popular support, but in very different styles. It seems like Ayn Rand is very cranky, but I mean, is the most charismatic, cranky person I think I've ever listened to.

Jennifer Burns

I mean, people talked about her, meeting her, and coming to believe in her ideas in a similar way as they did with Marxism, and that suddenly everything made sense, and that when they came to believe in objectivism, they felt they had this engine for understanding the entire world. Now after a while for most people, that then became confining, but that certainty. Friedman had some of that as well. He clothed it differently. He clothed it in happiness where Rand closed it, as you said, in crankiness or anger. I mean, there's also an arc to Rand. She gets angrier and angrier and crankier and crankier over the course of her life. What I enjoyed about my research is I was able to get into this early moment when she was different and a little more open, and then I watched her close and her harden over time.

Lex Fridman

Would it be fair to say that Milton Friedman had a bit more intellectual humility where he would be able to evolve over time, and be convinced by the reality of the world to change the nuances of policies, the nuances of how he thought about economics or about the world?

Jennifer Burns

Yeah, absolutely. Friedman believed in being able to say, "I was wrong."

Lex Fridman

Right.

Jennifer Burns

There are some things he said he was wrong about. We'll delve more into monetarism and monetary policy, but he was able to talk about the ways his ideas hadn't mapped onto the world the way he thought they would. He does a really interesting interview at the end of his life where he's beginning to voice some doubts about globalization, which was he was sort of a prophet of globalization, a cheerleader of globalization. He really thought it would lead to a better world in all respects. Towards the end of his life, it's about two years before he dies, there's a note of doubt about how globalization unfolded, and what it would mean particularly for the American worker. So, you can see him still thinking, and that to me, I had assumed he became crankier and crankier and more and more set in his ways. Of course, there's a phase where he does become that way, especially as he's in the public eye, and there's not room for nuance. But to find in the last years of his life him being so reflective, that was absolutely not something Rand could do.

Lex Fridman

I think there's a thread throughout this conversation where we should actually also say that you're a historian of ideas. How's that?

Jennifer Burns

I am a historian of ideas, yes.

Lex Fridman

So, we're talking about today in part about two people who fought for ideas, for an idea, like we've mentioned freedom for capitalism. They did it in very different ways. It's so interesting to see the impact they both had and how their elucidation explanation of those ideas reverberated throughout society, and how we together as a society figure out what works, the degree to which they have influence on the public, the degree to which they have influence on individual administrations like the Reagan administration, Nixon and so on, and how it might return, fade away, and then come back in the modern times. It's so interesting if you just see this whole world as a game of ideas where we were pushing and pulling and trying to figure stuff out. A bunch of people got real excited over 100 years ago about

communism, and then they try stuff out, and then the implementation broke down, and we keep playing with ideas. So, these are the two greats of playing with ideas. I think that's a thread that just runs through this.

Jennifer Burns

Yeah, and of pushing back against that movement towards communism, social democracy. But one difference that I really should emphasize, Rand is a writer of fiction. She's a philosopher, but she's also a writer of fiction. So, she is working almost in the mythic register, much more in the psychological register. She's creating characters that people identify with and people relate to experiences they've had, and that's one of the reasons she hits so deep. She's also offering people... I read all the fan letters to her. People would say things like, "I read *The Fountainhead*, and now I'm getting a divorce," having just these incredible realizations.

Lex Fridman

Milton Friedman didn't get such letters.

Jennifer Burns

Milton Friedman didn't get such things, or I'll meet someone, and they'll say to me, "Ayn Rand is the reason I went to medical school." A woman said this to me a few years back, "It never even occurred to me that I could be a doctor until I read Ayn Rand, and I said, 'I'm going to go to medical school.'" So, she has that really intense impact on people. So, she thought of herself as rational. She thought of rationality as what she was doing, but she was actually doing a kind of mythopoetic psychological work as well. Whereas Friedman, on the one hand, was much more rational, and there's a whole set of economic thinking. He provides a rational framework for understanding the world, and it's the framework of neoclassical economics. At the same time, he does pull on mythologies of the idea of America and the Gilded Age, the frontier mythology, the individual immigrant, the settler mythology. He pulls on these, but he doesn't create them, and he's more kind of playing a tune he already has. Whereas I think Rand really does something a little bit deeper in her ability to reach into people's psyche, and then take that emotional psychological experience, and fuse it to an intellectual world and a political world. That's really what makes her so powerful. So, I think she comes back in to relevancy in a different way than Friedman does, because I think in some ways she's tapped into a more universal human longing for independence and autonomy and self-creation and self-discovery.

Lex Fridman

Nevertheless, there's still pragmatic ideas that are still important today from Milton Friedman, even just on the economics level. So, let's dig in. Let me try. I took some notes. Let me try to summarize who Milton Friedman is, and then you can correct me. So, he is widely considered to be one of the greatest and most influential economists in history, not just the 20th century, I think, ever. He was an advocate of economic freedom, like we said,

and just individual freedom in general. He strongly advocated for free market capitalism and limited government intervention in the economy, though you do give... I've listened to basically everything you have on the internet. You give some more depth and nuance on his views on this in your books. He led the famed Chicago School of Economics, and he won the Nobel Prize in economics in 1976. He greatly influenced economic policies during the Reagan administration and other administrations. He was an influential public intellectual, highly influential, not just among economists. He lived 1912 to 2006. So, that means he lived and worked through some major world events where his ideas were really important, the Great Depression with the New Deal, World War Two with post-war reconstruction, the Rise and Fall of the Bretton Woods Monetary System as we may talk about, the Cold War and all the conflicts involved in that, the tensions around communism and so on, so the fall of the Soviet Union. Also, he has some interesting relationships to China's economic transformation since the 1970s, the stagflation of the 1970s, and I'm sure there's a lot more. So, can you maybe continue this thread, and give a big picture overview of the ideas he's known for?

Jennifer Burns

Yeah, sure. That's a great summary. You learn fast. So, let me start with the economics, and then I can transition to how he used those economic ideas to become a real voice in the American conservative movement, in the American political realm. So, I'll highlight for ideas or contributions or episodes. One was his work with Anna Schwartz in revising our understanding of the Great Depression. That's tightly related to the second, which is the School of Monetarism that he and Schwartz really become founders of. Then there is the prediction of stagflation and the explanation of that in the 1970s, which really is one of these career-making predictions, and we can dig into that. Then in terms of technical economics, he's known for the permanent income hypothesis, which he develops with a group of female collaborators that I can talk about. So, those are four technical pieces end up being really brought together in what becomes the Chicago School of Economics. He's undoubtedly the head and the leader of the Chicago School of Economics. There's an earlier generation that he learns from. There's his generation. There's also a Chicago School of Law and Economics that's really profoundly influential, and then there'll be a third generation that he's somewhat distinct from, but that goes on to really shape economics. But let me go back to these four pieces, and let me start with Great Depression. So, Milton Friedman actually lives through the Great Depression. He's in college when it hits. So, he is in college just 1928 to 1932. He's aware of the Depression, and he's deciding, "Should I study mathematics, or should I study economics?" He's had some good economics teachers, but it's really the context. It's looking around at the slow dissolving of economic prosperity. So, he decides to go to Chicago. He decides to study economics. What's really interesting is that the Great Depression is so unexpected. It's unpredicted. It's unprecedented, and economists are really struggling to know how to respond to it. So, he's going to arrive at the University of Chicago when the field is struggling to know what to do. So, he's in this really open space where the institutional economics of the 1920s has failed to predict, which was

focused on business cycles. This is the irony. Their big thing was charting and understanding business cycles, and then we have the biggest business cycle of all time. They haven't seen it coming, and they don't have a good explanation for it. What he will get at Chicago is the remnants of a monetary understanding of the economy. So his teachers, they don't know exactly what's going on, but they look first to the banking crisis. They look first to 1933. It's bank runs failures of maybe it's up to a third of American banks. Thousands of banks are failing per week. So, they're focused on that. So, that's the first imprint he will have. The Great Depression has something to do with a banking system. The second imprint he will have is that all of his professors are profoundly concerned about the social crisis. They want relief programs. They want them now. They want bank regulation and financial reform. They're very active. This is not laissez-faire by any stretch of the imagination. So, Friedman has that imprinting. So, he gets there in '32, '36, '37. The ideas of John Maynard Keynes from Britain, which has a different explanation, Keynes has a different explanation of the Great Depression, will make landfall in American economics, and be very profoundly influential. Most American economists, but Friedman already... It's too late for Friedman. He already has a different perspective. So, Keynesianism unfolds. I can say more about that, but it basically leads to more active federal government participation in the economy. What underlies a lot of that, its adaptation in America particularly, is the idea that capitalism has failed. Capitalism has revealed itself to have a profound flaw, and that its cycles of boom and bust creates social instability, chaos. It needs to be tamed. It needs to be regulated. So, that becomes the baseline of politics in the United States, the understanding of the New Deal, the understanding of the Democratic Party, even to some extent the understanding of the Republican Party. Friedman never quite sure about that. He has a hunch that there's something else going on, and he does not buy that capitalism has ground to a halt, or the other idea is that capitalism has gone through some phase transition. It worked great maybe while we had a frontier. This is a very serious argument that people were making. United States used to have a frontier, a place where Europeans hadn't fully settled. Of course, they're pushing out the native tribes. That's another story, but that this frontier is the engine of economic growth, and the frontier is now over. It's closed, and we're going to stagnate. There's a theory of secular stagnation. So, to deal with secular stagnation, we're just going to have to have a more active state. So, Friedman is suspicious of all these assumptions, and he has this idea that it's something to do with money. Money is somehow important, and so he joins together with Anna Schwartz, who is an economist. She doesn't at this time hold a PhD. She's working for the National Bureau of Economic Research. They come together to do this study of money in the U.S. economy. It takes them 12 years to write the book. They're releasing their ideas, and they're arguing, and Friedman is writing papers, giving talks, saying, "Money's really important," and nobody's really believing him. He's a crank. He's at Chicago. Chicago is a well-known university, but he's considered a crank. Then in '63, he and Anna Schwartz published this book, and it's 800 pages. It's a reinterpretation of the history of the United States through money, like the central character is money, whether it's specie, greenback or the U.S. currency. They have a whole chapter on the Great Depression, and what they've literally done, Schwartz has done most

of this, they've gone... Schwartz has gone to banks, and said, "Show me your books." Then she's added up column by column, "How much money is in your vault? How much money is on deposit? How much money is circulating?" So, they literally have graphs. You can see them in the book of how much money has been circulating in the U.S. at various different points in time. When they get to the Great Depression, they find the quantity of money available in the economy goes down by a third. In some ways, this is completely obvious because so many banks have failed, and we don't have any type of bank insurance at that point. So if your bank goes under, your savings are there, the money essentially vanishes, and it's fractional reserve banking. So, you've put in... They can loan up to 90% on their deposits. So, Friedman and Schwartz present this argument that what really made the Great Depression so bad was this drop in the amount of money, the 30% drop in the money, they called the Great Contraction. Then they go further, and they say, "Well, how did this happen and why?" They pinpoint the Federal Reserve, which is a fairly new institution at that time. They say, "What did the Federal Reserve do? The lender of last resort, what did it do in the face of what they're depicting as a massive, unprecedented liquidity crisis?" They find it's not really doing much. They really dig into the details, and they find that the Federal Reserve has gone through a sort of personnel change. Some of the key leaders in the 1920s, Benjamin Strong is one of them. He's now deceased, and the dominance of the New York Federal Reserve, which in their telling is global, it's interconnected. It's seen a lot of financial things come and go. They believe that the New York Fed had the understanding to recognize this is a liquidity crisis. We should be very generous. We should support all the banks. Their influence has diminished for the kind of banks that are more... They don't say the Rubes and the Hicks, but it basically is. It's like, "The people in charge don't know what they're doing." So, the Fed pursues this policy of masterly inactivity. They don't see it as a problem. They don't do much. There's an enormous liquidity crisis, and that's their version of what the Great Depression is all about, that it's a financial system meltdown. It's a liquidity crisis, and that in some ways, well, in many ways, they argue very strong counterfactual argument. The Federal Reserve could have prevented it, and it did not. So, it becomes then an institutional failure and a political failure, not a failure of capitalism as a system. So, this book comes out. It's a blockbuster. Even those economists who've been like, "Friedman is a crank. I don't buy it," are like, "Friedman and Schwartz are onto something. Milton Friedman and Anna Schwartz are onto something." So, that really changes the game. This is also one of his most influential contributions, because Friedman and Schwartz becomes the playbook for the Federal Reserve. We have lived through this, the financial crisis. The Federal Reserve is ready to loan. Covid, the Federal Reserve does all kinds of new things, because no Federal Reserve chair wants to be in Friedman-Schwartz 2.0 that somebody writes, where they're the bad guy who let the economy meltdown. So, the specifics of what they say to do have obviously evolved as the system has changed, but this is a playbook for how to deal with economic crisis. It's Friedman and Schwartz. So, it's absolutely fundamental, and that is really going to be the place he makes his mark.

Lex Fridman

There's a lot of things to say here. So first, the book we're talking about is a monetary history of the United States, in part for which Milton Friedman won the Nobel Prize. You've also mentioned the influence of the Great Depression, if you could even just rewind to that.

Jennifer Burns

Yes.

Lex Fridman

So, he went to, I guess, college in Rutgers.

Jennifer Burns

That's right.

Lex Fridman

He was mathematical proclivities, so he was wanted to be a mathematician. So, it's a cool crossroads. It's interesting how the right time, the right person arrives. So, you described this really well, that he had this choice to be a mathematician or an economist. The economist is the University of Chicago. Mathematician is Brown University, whichever, and then this is also the beginnings, as you've described, of mathematical economics. So, he fits in nicely into this using... I think you said the number of equations started going up per paper-

Jennifer Burns

Yes.

Lex Fridman

... which is a really nice way to put it, so really the right person at the right time to try to solve this puzzle of the economy melting down. It's so interesting, just one human. It's just from just zooming in on a single human making a decision about life. It's hard to know when you're in it that the world is melting down from an economics perspective, and that I could do something about this to figure out what it is. Also, I'm going to reject the mainstream narrative about why this happened.

Jennifer Burns

So, the other piece of the puzzle, when he goes to Rutgers, he thinks he'll be an actuary. So, Milton Friedman's family, his parents are immigrants, Jewish immigrants from Eastern Europe. They're pretty atypical and that they don't stay in New York, and they moved to Rahway, New Jersey. They put together a fairly middle-class life as kind of... They have a shop. They do some wholesale buying and selling, and then his father dies when he's 16. His life becomes more precarious, but it's never as precarious as he makes it up be. He's got three older sisters. They earn a good living. Incidentally, they all have better grades in high

school than he does, but he's the one that goes to college. But it's actually really important that he loses his father figure, because he's then looking for other father figures, and he meets two at Rutgers. One is Arthur Burns, who will go on to have a huge influence in his career. No relation to me, by the way. But, Arthur Burns is like him, a fellow Jewish immigrant boy on the make. He's older, and he's making a career as an economist. Then there's Homer Jones who has gone to the University of Chicago, and is studying with Frank Knight at Chicago, and says, "You have to go to Chicago." So, he has these two mentors. Burns in particular suggests, "Oh, I could be an economist. That could be my career path." The idea to be an actuary for an insurance company, I'm not sure where he got that idea, but he just thought that was something he could do as someone who was good at math. So, the college really opens the perspective, opens the door. Then I think it's really key that, again, he doesn't get an explanation that he buys for the Great Depression. So then he's looking for one. The math part is really interesting aspect of his career. Now, he actually comes to Chicago to study with the mathematical economist, Henry Schultz, but he gets there, and he thinks Schultz is kind of dumb. He really does. He's incredibly arrogant, and he just thinks, "This guy's not that smart," and it seems that... I mean, Schultz did some really important work in the early stages of mathematical economics, but a lot of the oral histories about him are like, "Yeah, he wasn't that bright." So, Friedman's may be onto something. So, he falls into the set of students who are really enthralled with this other professor, Frank Knight. Frank Knight is against math and economics. Frank Knight is a neoclassical economist, but not a mathematical economist. He's an old school liberal. He's really concerned about liberal democracy, economic liberalism. Friedman is very deeply influenced by Knight. He continues to pursue mathematical economics, so he'll go... For part of his graduate career, he goes to Columbia University where he actually gets his PhD from. He works with a mathematical economist there. So, he comes out trained in what will eventually be econometrics, statistics and economics. His early publications are in statistics, but it's not really where his intellectual heart and soul are. Eventually, he will turn very profoundly against mathematics and economics, and become a heterodox strain throughout 20th century economics. It says, "Simple models are better. We need to work off empirical data, not construct elegant models," and becomes really counter-cultural within economics in that way.

Lex Fridman

The test of a good model is it should actually predict stuff that happened.

Jennifer Burns

It should predict stuff that happened. It should tie back to what's going on.

Lex Fridman

I'm wondering which direction to go. So first, actually, if we could zoom out on the different schools of economics.

Jennifer Burns

Yeah.

Lex Fridman

Just the basics. You mentioned Neoclassical. We mentioned Keynesian economics. We mentioned... What else did we mention? Well, the Chicago School of Economics.

Jennifer Burns

Right.

Lex Fridman

Where does Austrian economics fit into that pile, and Marxian economics? Can we just even just linger and try to redefine Keynesian economics and Chicago School of Economics and Neoclassical economics and Austrian economics, because there's some overlap and contention?

Jennifer Burns

For sure. So, schools of economics, so we could start with classical economics. Classical economics, we could think of Adam Smith is your classic classical economist, the founder of the discipline. Classical economics does not really use math, is very close to political economy. It's concerned with, as Smith puts it, the wealth of nations. It's concerned to some degree with distribution. It's concerned to some degree with what makes a good political system. What tends to really define classical economics when you're looking from a great distance is what's called the labor theory of value. So, where does value come from in classical economics? It comes from the labor that a person puts into it. So, maybe this in some ways comes from Locke's notion of property that you mingle your labor with the natural world. We can say labor theory of value. So, classical economics concerned with... Smith is arguing against mercantilism for more free trade, often goes by the name of political economy to show it's more capacious. It's thinking of politics and economics. You can still read these books today. The sentences are long. The words are different, but you can still follow along. So, the real big transition from classical economics and political economy to economics as it's understood today, comes with the marginal revolution. The marginal revolution is a scientific revolution that happens in a couple of different places simultaneously. This is one of these things that you see in the history of science. There'll be some breakthrough like, "Darwin has a breakthrough," but somebody else has sort of the same breakthrough at the same time, totally differently. So, there's a version of marginalism that's continental. There's a version in the German-speaking lands, in the French-speaking lands and in Britain. They all come together, and the shift is in the theory of value. So, the theory of value in marginalism is on the margin. So, say you have one apple, and you want a second one. How much is going from one apple to two apple worth for you? Probably quite a bit. If you had 10 apples, maybe going to 11 apples doesn't matter that much. The marginal value is less. So, what marginalism does though, most importantly, is it opens the door to

math and economics, because it means you can graph this now. You can depict this relationship graphically. There's some really interesting work in the history of economics that shows a lot of the people who developed marginalism were looking to physics as a model, Physics, the queen of the sciences. So, they were thinking... They imported terms from the natural world to describe the social world through the lens of economics terms like equilibrium. So, the idea being that if you looked at a market, a market would reach equilibrium when everybody has bought and sold all that they want, or the price will settle at an equilibrium price when it's really the demand and supply are matching up.

Lex Fridman

Some of these ideas are things we would pick up at a microeconomics class.

Jennifer Burns

Oh yes, this is still out there. This is the basic foundation of microeconomics, marginal analysis, and so- ... of microeconomics, marginal analysis. And so, in the German-speaking intellectual tradition, this is the root of Austrian economics and people picking up the marginal revolution in the German-speaking lands are opposed to the historicists who are thinking in a more evolutionary way about how societies grow and change and they have a vision of economic ideas as applying differently to different types of social arrangements. Where the marginalists, remember, inspired by physics and this is a set of natural laws that applies anywhere to any human society. So, that's his first really big fissure that we'll see again and again. Are you historically minded? Do certain traits of economic life in here adhere and become expressed in certain types of societies or are there universal economic laws that flow through any type of society? So, that's a juncture, a break and so marginalism ... First, people start using, really, geometry to graph things but marginalism is also opening up to the possibility of calculus and the possibility of creating models. But at that point in time, late 19th century, a model is something like a physicist does. Think of an inclined plane and how fast does the ball roll from one to the other, it's a physical representation of the world and eventually economists will start to create mathematical representations of the world but we're not quite there yet. So, we're late 19th century and we have this fissure, we have this introduction of marginal analysis that marks the juncture from classical economics to economics. So, let's say now we have economics but we still have this fissure between historical thinking and let's call it natural law thinking, that's not quite right, but physical laws versus contingency. And then, in the United States, this ends up mapping onto debates about capitalism and so more historically minded economists tend to be interested in the progressive movement which is invested in taming and regulating industrial capitalism and changing its excesses, factory safety laws, wage laws, working conditions laws. Yet, in general, American economists all use marginal analysis just in different ways. The ones who are more drawn to marginal analysis become known as neoclassical economists. They're neoclassical, the neo is because they're using marginal analysis, the classical is because they don't think we need to change the way the economy operates or the government operates, they're not progressive. Whereas the progressives are saying

things like we need to use social control. The state and the people, collectively and democratically, need to control the way economics unfolds and make sure things are fair and equal. So, that school of thought becomes known as institutional economics in the United States by the 20th century. So, it's part of the progressive movement late 19th century, into the 20th century, it really becomes institutional economics and it's quite dominant and the neoclassical economists are still there but they're very much a minority. And Frank Knight, Milton Friedman's teacher, is one of the minority neoclassical economists and the institutionalists are much more progressive still.

Lex Fridman

Is it fair to say that the neoclassical folks and even the classical folks versus the institutional economics folks, they have a disagreement about how much government intervention that should be in the economy? So, neoclassical is less intervention and then an institutional economists, the progressive folks is more intervention?

Jennifer Burns

Yes, yes, exactly right. So, this is a situation in the 1920s but the other piece I should mention is that first generation of progressive economists were very radical, they were closely allied with the socialist movement, with labor radicalism and many of them lost their jobs at universities. This connects to the dawn of academic freedom, this is before academic freedom and they were chastened, they became much more mainstream. By the time we get to the 1920s, we don't really have radical critiques of society coming from economists, much smaller profession, much less important than it is today and fairly peaceful because the 1920s are a fairly peaceful decade in the United States. So, this is a situation when the Great Depression hits and, as I mentioned before, the most important institutional economist is Wesley Mitchell and he has said ... He's written a whole book on business cycles. He doesn't see this business cycle coming and it hits and he doesn't have a good explanation for it. Now, perhaps the preeminent neoclassical economist was Irving Fisher. Now, Irving Fisher is big into the stock market and Irving Fisher says sometime in late summer 1929 stocks are going ever higher and will continue to go ever higher forever. And so, he loses his reputation after the stock market crash. So, Milton Friedman is stepping into a field in which the greats have been discredited and there's an enormous economic crisis all around.

Lex Fridman

And everybody's struggling to figure out why the crisis happened, right?

Jennifer Burns

Yes. And the other thing he's stepping into is a world where, in the United States, there's a great deal of anger at capitalism, at the system, unemployed people on the street in Europe, there's rising fascist movements, in Asia there's rising fascist movements. And so, everyone's very concerned about this and Friedman is seeing a lot of this through the lens

of Frank Knight who feels like we are maybe reaching the end of what he calls liberalism, he calls himself an old-fashioned liberalism. We're reaching the end of representative Democratic government because representative Democratic government cannot solve these social problems. And capitalism as it has developed, Knight is very pro-capitalist but he says it's generating inequality and this is putting too many strains on the system. So, Knight will become one of the people who helps Friedman think how do I develop a new theory of capitalism that works in an era of mass democracy where people can vote and people can express at the ballot box their unhappiness with what's happening economically. So, this larger movement will generate, of which F.A. Hayek is a part, Friedman is a part that becomes the very early stirrings of trying to think about a new liberalism which will eventually be called neoliberalism.

Lex Fridman

Okay. So, if we can just linger on the definitions of things. So, we mentioned what neoclassical is and the institutional economics is, what's Keynesian economics? And the Chicago School of Economics, I guess, is a branch of neoclassical that's a little bit more empirical versus maybe model-based and Keynesian is very model heavy, more intervention of government. So, the real battle is Keynesian versus everybody else.

Jennifer Burns

That is what eventually comes to pass in the United States and in the overall developed profession of economics. The other piece of the puzzle here is the introduction of mathematics and it's been around the edges but it will pick up speed. In the 1930s, the Econometrics Society is founded, they start publishing, people start using more statistical and mathematical tools to think about economics and they're given a boost inadvertently by the rise of Keynesian economics. So, Keynes is trained in the neoclassical tradition, he's an absolutely fascinating figure, he's been there in the peace negotiations at Versailles, he basically calls World War II. He's like, "Hey, we're going to have another war here caused by Germany because this peace treaty has been done in such a vindictive way and people have made such bad decisions." He's there, he sees it happening. And so, when the Great Depression unfolds, he basically comes up with a new theory for explaining what's going on and the previous neoclassical understanding as things go up and things go down and, when they go down, there's a natural mechanism to bring them back up. So, when the economy's going down, prices are going down, wages are going down, everybody's losing money but eventually firms are going to realize, hey, I can hire people cheap, hey, I can buy stuff cheap, I don't have a lot of competition maybe I should get in the game here and then others will start to get in and then you regenerate prosperity in that way. And so, Keynes says, "Sure, that's one theory but something different is happening right now. Part of why it's happening is because we have ... The working class is more empowered now, they're not simply going to just take low wages and ride them down to the floor, we might not hit the floor." But also he says people might become too anxious to spend, they might not want to invest. And Keynes has these discussions of animal spirits, he's still enough of a political economist to

think, not just in terms of human rationality, but what are some other things going on in human beings. And people might decide to sit on their money, they might not invest it and so what happens then is you could get stuck in a bad equilibrium. So, in the neoclassical model of equilibrium, it restarts and resets itself and he says, "No, we could get stuck here, we get stuck in the Depression. And in that case, what has to happen?" He says, "The government stimulates investment and the government itself invests." And then he argues that, this is a student of his, Richard Kahn says, "As the government invests a dollar, it has a multiplier effect. The dollar spent by the government ramifies out throughout the economy." So, it takes the government and puts it in the center as opposed to, say, the banking system or the financial system which would be the more Friedman analysis. And for many economists of Friedman's generation, and he's a weird generation because, the generation that becomes dominant, it's just four years older, the men who become Keynesian economics but that four years is really important because they come in to grad school in economics and they get exposed to the new ideas of John Maynard Keynes and they ... I think it's Paul Samuelson calls it, it was like a South Sea virus that attacked, all of the younger economists immediately succumbed and no one under 50 ever got the disease because their thinking is already set. And so, Keynesianism, Keynes himself is very suspicious of math and economics and he and Friedman is fascinating. One of the first books by Jan Tinbergen, a Dutch economist, to use math and economics use huge volumes. Volume one, Keynes pans it. Volume two, Friedman pans it. So, they're in the same page but what happens is, as Keynesianism arrives in the United States, Franklin Roosevelt is not really a Keynesian, he's an accidental or experimental Keynesian and there's a bunch of different ideas in the United States that are very similar to Keynesianism. They're not theorized but there are similar ideas that the government has to do something. So, this all comes together and American economists realize that you can construct models in the Keynesian perspective and, if you can use numbers in these models, you can go to Washington, D.C. with numbers and you seem like you have a lot more authority and so math becomes really twinned into Keynesian economics.

Lex Fridman

So, the numbers are used as a symbol of expertise. We really know what the hell is going on because we have some numbers, right?

Jennifer Burns

Right. And we can create a model and so we can say, okay, in the model, the interest rate is here and taxes are here so let's play with government spending. Let's make it up, let's make it down and then we can get an estimation it'll spit out, here's predicted GDP. So, the other piece of the Keynesian revolution is it really gets people thinking holistically about the economy as one conceptual unit and you then have what Paul Samuelson will end up calling the neoclassical synthesis and this is still in economics today. If you take micro, you're going to get supply and demand, scarcity, marginal analysis. If you take macro, you're going to get a very different approach and that's more Keynesian based. And so, the idea is that,

and this makes sense, you can think of this from statistics, the way things act individually versus when they're all added together, it can be very different. So, there's this uneasy piece where economists are using neoclassical tools to analyze individual behavior and individual market behavior and they're shifting to a different paradigm when they think about the economy as a whole. And in this paradigm of the economy as a whole, the federal budget, the taxing and spending power of the federal government become paramount and that is called the fiscal revolution and that's really the essence of Keynesianism. But the key thing to remember is that Keynesianism and Keynes are different and there's this famous episode where John Maynard Keynes comes to D.C. and he goes to dinner and he comes back and he says to one of his friends in London, he said, "Yeah, it was really interesting, I was the only non-Keynesian there."

Lex Fridman

Yeah.

Jennifer Burns

Yeah.

Lex Fridman

So, Keynesianism is more government intervention, fiscal policy, so put the government at the center of influencing the economy. And then the different flavors of whether it's Austrian Economics or Chicago School of Economics is saying, no, we have to put less government intervention and trust the market more. And the formulation of that for Milton Friedman is trust the money more, not trust but the money supply is the thing that should be focused on.

Jennifer Burns

Yes. So, the Austrians and the Chicago School see economic prosperity and growth comes from individual initiative, individual entrepreneurship, private sources. The private market is what drives economic growth, not the public sector. And so, for Friedman then the question is what is the government's role. And because he's lived through the Great Depression, he's not laissez-faire and he won't ever be laissez-faire. Now, interestingly, Hayek, living through the Great Depression, at first is laissez-faire and he's like, "Sure, let it rip." And things get so bad that Hayek's like, "Okay, that's not going to work."

Lex Fridman

Can we actually define laissez-faire? So, what do we mean? What's the free market? What's laissez-faire? What's the extreme version here?

Jennifer Burns

So, yeah, laissez-faire means leave it be in France. It's more often used as an insult than as an actual. Very few people are completely and totally laissez-faire, that would be the pure

laissez-faire would be maybe pure anarchist position like the state does nothing or the state isn't even there. But it tends to, if I could maybe make it more precise, it would be focused on freedom of contract would be essential and that means the buyer of labor and the seller of labor must have absolute freedom to contract. So, that means no minimum wage law, no working hours law, no employment law, things like that. This is all pre-progressive movement, a lot of things are that way. Imagine you're in 19th century America and you have a farm and you hire someone to help you on the farm, you offer the money, they take it. If they fall off a ladder and break their back, maybe you help them out, maybe you don't but there's not a whole apparatus of legal liability and safety and things like that. So, that would be one piece. Another piece of laissez-faire would be free trade amongst nations, so no regulation of who can invest in a nation or who can take money out of a nation. So, Nippon Steel could come and invest in US Steel and there would be no grounds in which to reject that. Or you could, as a billionaire in the United States, relocate you and all your money to another country and the United States couldn't try to keep you and nobody else could stop you from coming in. And then in the context of economic crisis, laissez-faire would not encompass centrally provided relief because, in the pure theory, again, very seldom applied purely but in the pure theory, the wages need to come down far enough and people need to be desperate enough to start taking work and to start the machine again. So, the theory would be, if you give people relief, they might not go back to work. Now, almost nobody says that in the Great Depression because the situation is so bad and people are starving on the street and feel, for humanitarian and ethical reasons, it's not okay to say that. The Austrians though at first, Hayek and Lionel Robbins are like, "This is a business cycle and it needs to run its course and it will be detrimental if we intervene," and then pretty soon Hayek has to change his tune.

Lex Fridman

So, the Austrians are the most hard core in terms of laissez-faire, right?

Jennifer Burns

Absolutely. And so, Hayek will make the turn towards accepting more of a state and then will come to talk about how the state needs to support what he calls a competitive order. But his mentor Ludwig von Mises still remains very hard core and is not really open to things like unemployment insurance or other state-based interventions.

Lex Fridman

What does von Mises say about human suffering that's witnessed in the Great Depression, for example? What are we supposed to, as economists, as humans that define policy, what are we supposed to see when people are suffering at scale?

Jennifer Burns

Yeah, I wish I knew an answer to that question, I don't know enough about von Mises and his reaction in the Great Depression. I think I would hazard that he would look more to the down

the road and say, "Well, if you start here, you're going to go places that are bad," but I don't factually know what he said in response. I do know that Hayek's position doesn't last very long, it's not a position you can hold to. Maybe you could hold to it in other cycles. The other thing that was interesting is I found very few Americans saying this, most who were were small town electeds or the most famous is Andrew Mellon quoted by Herbert Hoover. So, not directly, we don't have him on record saying this but apparently Hoover records in his memoirs that Mellon said something like liquidate real estate, liquidate stocks, purge the rottenness out of the system, people will live a healthier life. And certainly, there were members of the Federal Reserve who felt like it would create, they didn't say moral hazard, but it would create what we now call moral hazard, bad habits. Were we to intervene and to save failing banks because failing banks need to be taught a lesson, why need to be taught discipline? And so, a lot of people, I think, saw it in the context of discipline, this is discipline and, if you remove the discipline, you'll be taking away something fundamental in society.

Lex Fridman

So, Milton Friedman never quite went all the way to laissez-faire?

Jennifer Burns

No, no, he didn't see that and what's really interesting is the number of incredibly radical proposals that he and his teachers were floating. So, I've mentioned Frank Knight, another really important influence on Friedman was Henry Simons who was a junior professor at Chicago. And Simons had this idea for what he called 100% money which would be a law that says banks have to hold 100% of the deposits they receive, they can't loan them out on the margin. This would completely and totally have overhauled the US banking system and he would've said there's a category of things called banks where you get deposits and then there's going to be a category of, he didn't say investment banks, but investment vehicles that will invest. So, similar to what did happen, in some ways, in the banking reforms in that, in the 1930s, the investment banks were split from the deposit banks and the banks that took deposits were much more highly regulated and they were supported by the FDIC. But the point being, the Chicago School had these very radical proposals for reform. Go off the gold standard, restrict the currency, change the banks, immediately relief payments now. What is important to note though is that they thought of all of those as emergency measures to get through the emergency not as permanent alterations in the state of what had to be and not permanent alterations between state and market where the Keynesian assumption is things have changed, times have changed, we're in a new dispensation and we need a new relationship. So, Friedman is very, Milton Friedman is very open to doing things differently in a state of emergency. He will have different ideas during World War II than any other time and that's why I argue I think he would have been supportive of at least the first rounds of coronavirus relief because I think he would have put his emergency thinking hat on. So, in that way, he was definitely more flexible.

Lex Fridman

You mentioned Hayek. Who is this guy? What's his relationship to Milton Friedman in the space of ideas and in the context of the Great Depression? Can we talk about that a little bit?

Jennifer Burns

Sure. So, F.A. Hayek is an Austrian economist who takes up a posting in London and he's a mentor, a mentee rather of Ludwig von Mises. He's writing about business cycles, Austrian Capital Theory and the Depression hits and he's one of the few economists who, in the beginning, really is not calling for much intervention. Although, as he realizes how politically unpalatable that is, he will develop a more softened version of Austrian economics that has room for a whole range of social services. What's significant about Hayek is that he is also watching what's happening in Austria, what's happening in Germany and he's really worried the same thing is going to happen to the Western democracies. And he sees the root cause of this is socialism, the shift towards an expanded role for government which, we've been talking about, is happening in the United States, it's also happening in Britain. And so, he writes this book that becomes incredibly famous, *The Road to Serfdom*, basically saying taking these steps towards a planned economy or an economy that's a modified form of capitalism is going to ... Could, he's very clear that this is not an inevitability but, if the same steps are taken and people follow the same line of thinking, we may end up in a coercive, totalitarian state. So, this becomes enormously popular in the United States. First of all, he's in good touch with Friedman's teachers even before this book comes out, they see them as kindred spirits. Frank Knight is in touch with him, Henry Simons is in touch with him, they all see themselves as liberals, they call themselves old fashioned unreconstructed liberals. And so, even before he becomes famous, Hayek will be trying to organize thinkers and intellectuals who he believe shares his values of what we would call today classical liberalism and to create a counter consensus to the one that's gathering. Now, Hayek also chooses not to argue against Keynes and he feels that this is a huge missed opportunity that he should have staked out the case against Keynes and that, because he did not, people come to believe there is no case against Keynes, Keynes is literally unanswerable. So, Hayek will have this great regret, he will channel some of his regrets into community building, specifically developing The Mont Pelerin Society, and it will fall to Friedman to really make that case against Keynes. But Hayek will end up at Chicago and Hayek really influences Friedman to think about what Hayek calls the competitive order and how the state can and must maintain a competitive order that is the system of laws, of norms, of practices that makes it possible for markets to function. And this is one of these key differentiators between the older philosophy of laissez-faire and the newer reconceptualization of liberalism which says, yes, we need a state, we need a state that's not intervening in markets under social democratic auspices but is structuring and supporting markets so that they can function with maximum freedom keeping in mind that, if there aren't basic social supports needed, the market is apt to generate the type of either inequality or social instability that will call the whole system into question. So, Hayek is

really key in promoting this modified liberalism. But, from being a very prominent economist in the 1920s and 1930s as mathematics becomes the language of economics, Hayek is completely left out in the cold. Now, Friedman, to some degree, is left out in the cold but Friedman at least has proved the mathematical economists and he knows what they're up to and he's rejecting it from a position of expertise and knowledge and he literally drives the mathematical economists out of Chicago. They're clustered in a group called the Cowles Commission and he makes their life hell, they flee, they flee the Friedman onslaught. But then when Hayek arrives at the University of Chicago, he would like to be considered for a position in the economics department and Friedman, Milton Friedman says, "No way, you're not really an economist because you're not empirical, because you just developed these theories." So, he has an appreciation for Hayek as a social thinker but not as an economist so what Friedman decides to do, his answer to Keynes will be deeply empirical but it will also be theoretical and it will create an alternative intellectual world and approach for economists who aren't satisfied with Keynesianism. And almost single-handedly, Friedman will introduce political and ideological diversity into the field of economics because, from his beachhead in Chicago, he will develop the theory of monetarism. So, what is monetarism? The easy way to summarize it is this famous dictum of Milton Friedman's, inflation is always and everywhere, a monetary phenomenon. And it's fascinating that he becomes an expert in inflation because the first research and the first major research product of monetarism is that theory of the Great Depression in a monetary history of the United States and that is a theory of a deflation, all price is going down. And he will go back to an idea that Irving Fisher had popularized but a very old idea, almost a truism, the Quantity Theory of Money which says the level of the price level is related to the amount of money circulating in an economy. So, if you have more money, prices go up, if you have less money, prices go down. Now, this seems very basic and almost too basic to bear repeating but Friedman is saying this very basic relationship holds true even in an advanced industrial economy and that is what people have started to doubt. And if you think about money, you think about banks, you don't think necessarily about the federal budget spending and taxation. And what you see happens in American economics, the textbooks previous to the Keynesian Revolution, they spent a lot of time on money, they spent a lot of time on interest rates. You can do word counts and other scholars have done the word counts and the word count for money after World War II just plummets and you start seeing things like taxation, budget, those things go up. So, what happens is the economics profession shifts its attention, it just looks away from money to other things and Friedman is one of the few who's saying, no, money still matters, money still counts and it's a very counterintuitive argument to make, it's a very historical argument to make and this is absolutely fascinating to me. With Anna Schwartz, he develops this 150-year timeframe, he also has students working on episodes of hyperinflation in different periods of time, he's also looking back to ancient history, inflationary episodes there and he's saying this is a law of economics. This is something that recurs throughout time, it's not historical, it's not contingent, it's a law of economics. And his Keynesian counterpoints are saying, no, that's not relevant any longer, maybe once it was relevant but it's not relevant today. Now, in some

ways, they have a point because, in order to pay for World War II, the federal government sells a lot of bonds, it issues a lot of debt and it wants to pay this debt back a low interest rate and it wants people to keep buying it, it wants the low interest rate to be competitive with other interest rates. So, wants, in general, low interest rates throughout the economy. And the Federal Reserve has been so discredited by the Great Depression that the Treasury basically runs the Federal Reserve and says keep interest rates low. And so, that's what it's doing and so the Federal Reserve has stopped being an independent entity, it's just a sub-department of the Treasury. But in 1951, they negotiate what's called the Treasury Fed Accord and the Federal Reserve gets its independence but it doesn't really use it but, statutorily, it now has it. And so, most economists are just observing a regime in which the Federal Reserve has no power, a regime in which there is really little inflation, the inflation that is seen is post ... There's a little burst of inflation in the Korean War. And they're saying inflation's not really important, it's not really relevant and money's not really relevant and important. And so, to break through and to make the argument, that's why Friedman and Schwartz go to history and they're able to make that argument for history. So, then Friedman is coming out with a variety of papers that are saying, when I look at economic fluctuations, he maps them side by side to fluctuations in the money supply and says, look, they fit. And other economists, remember, they're building complicated mathematical models and Friedman's doing extremely simple stuff and they just think it's dumb, it's not interesting, it's not true, they don't buy it at all. But after *A Monetary History of the United States*, they have to pay attention. So, it's really in those years Friedman is hammering this idea of monetarism and it starts to become something respectable, bordering on respectable for other economists to look to and think about and that's really the beginning of the Keynesian Monetarist split where, if you start to give Friedman any credence, you're heading towards a monetarist position. Now, at the same time, Friedman comes out very publicly in 1964 as a supporter of Barry Goldwater and Keynesian economics has found a home in the Democratic Party. Its probably brightest moment in the sun is the administration of John F. Kennedy who brings in a lot of Harvard and Yale professors to the Council of Economic Advisors, he proposes a series of spending programs that are really guided by the Keynesian philosophy. And the Barry Goldwater is tremendously controversial, part for his votes against civil rights which Friedman really supports and part because he's a hard core libertarian in an age when that's not in the political mainstream or not discussed in the political mainstream and he's just tremendously unpopular particularly in all the educated precincts where Friedman lives. So, Friedman is like an outcast and a pariah for his support of Goldwater. And so, that actually really affects monetarism because people feel that this is now becoming a package deal and so there's a great reluctance to embrace Friedman's- And so there's a great reluctance to embrace Friedman's ideas because it seems like you would then have to embrace his politics.

Lex Fridman

So it's associated with conservatism.

Jennifer Burns

So this is the years when conservatism... There is a movement that calls itself conservatism. And Friedman is very tightly allied with this movement from the beginning, partly through his friendship with William F. Buckley. And a lot of people say to me, yeah, but Friedman's not conservative. And this is like a bigger... You have a whole separate podcast on this. But for now, I'll just say that conservative in the United States becomes a political brand that contains elements of conservatism that are recognizable across time and space, embrace of tradition or comfort with hierarchy, et cetera. And it also has something new and different, which is Friedman's ideas about... Milton Friedman's advocacy of more free markets, less government regulation, and the benefits of capitalism and the benefits of freedom. And that gets folded into American conservatism, in part because Milton Friedman is such a powerful intellectual figure. And after his advocacy of Goldwater the media realizes this guy's really smart. He has really interesting things to say. He makes great copy, he makes a great guest, and he starts writing a column for Newsweek magazine, which is a very big deal in a much more consolidated media environment. And he's quoted in all the newspapers. And so his public profile really starts to rise right as he's pushing monetarism as an alternative to the Keynesian synthesis.

Lex Fridman

Can we just linger on what is monetarism? Once again-

Jennifer Burns

Yes. Okay, I didn't go into it.

Lex Fridman

Okay. The money supply.

Jennifer Burns

Yes.

Lex Fridman

So money is this thing that you can think of it as a notion where people buy and sell stuff, and there's this fascinating complex dynamical system of people contracting with each other in this beautiful way. There's so many pothead questions I want to ask here, about the nature of money. Money is fascinating in that way, and I think for Milton Friedman trusting the flow of money is really important and the signals that pricing and money in general provides is really important.

Jennifer Burns

Yeah. And I could take some of this back again to Frank Knight. So one thing Frank Knight said to all his students was the market is the best allocation mechanism we have. The market is what allocates resources. In a situation of scarcity the market allocates them the

best. And Hayek will add to that by saying, "prices are information signals, and a price sends information to buyers and sellers about how they should act." And these are two of the strongest arguments for why the government should not intervene in the price system because it will blur information or because it will allocate less efficiently than market allocation will. And so what Friedman is really going to add to that is maybe going up a level and thinking in the macro about the whole economy and how money circulates through that economy as a whole. And so what he and Anna Schwartz do is they construct what are called monetary aggregates. This is adding together say all the money that's on deposit in banks and all the money that's believed to be circulating in people's wallets. And you also have to really go back in time. We don't have credit cards. There is a stock market, but it's tiny in terms of the number of people who invest. There aren't mutual funds. When travelers checks are introduced, this is a big deal. So we have a very simple monetary system. And so Schwartz and Milton Friedman start measuring what they call the monetary aggregates. They focus on M1 and M2 and their favorite aggregate is M2, which I believe is encompassing sort of deposits and circulating medium. The other thing to recall, there's some fine distinctions between money in savings accounts and money in checking accounts, and money in savings accounts can earn interest and is generally believed not to circulate or money in checking accounts does not at that time bear interest and cannot legally bear interest. And so is thought of as circulating. And then there's different institutional architectures of postal savings, banks and credit unions. But Friedman is one, taking the focus to these aggregate amounts of money and saying, these really have a lot to do with economic booms and busts. When we have an expansion in the amount of available money, we see an expansion in economic activity. When we have a contraction in available money, we have a contraction. And so he says at this stage, the government through the mechanism of the Federal Reserve and its influence on interest rates can either make money more cheaply available and more freely available in the economy or can make money more expensive and slow things down. But the central core idea of monetarism is this is potentially very bad if the government can hit the gas and then hit the brake, and hit the gas and hit the brake based on say what a politician wants or what somebody at the Federal Reserve wants. You have a lot of instability in the system. And so one of the core policy proposals of monetarism is let's grow the money supply at a steady rate. And in the beginning, Friedman just says K%, he doesn't even put a number on it because he says the number doesn't matter. What matters is the steadiness in the growth rate. Because if it's a steady growth rate, it will fade away. And then people will make economic decisions based on the fundamentals, not based on what they think is going to happen, not based on hedging against inflation or hedging against deflation. They'll just be able to function. So this is sort of the paradox of monetary policy. When it's happening right you don't see it, you don't notice it. When it's happening wrong, Friedman argues, it can just fundamentally destabilize everything. It can cause a great depression, can cause an artificial boom. And so he's taking monetary policy at a time when most economists think it's completely irrelevant and saying, this is the central game of the economy. Now we live in a world where we believe this and the Federal Reserve chair can't open their mouth without headlines being

generated. But Friedman is saying this at a time when the Federal Reserve is a mysterious and secretive organization. It's not well-known, it's not deeply appreciated. Some of the only people who appreciate the Fed's power are hardcore rural populists, who have constituents who think the banks and money power are the problem, who are throwbacks from the frontier days. So Friedman in the beginning has no constituency for this policy. He has no constituency for this analysis. And so just going back to summarize monetarism, it's looking, it's using the quantity theory of money to analyze the macroeconomy. It's proposing a policy of slow and steady growth in the money supply. And then it is arguing that inflationary episodes when they emerge are profoundly driven by changes in the money supply, not by anything else.

Lex Fridman

And going even up a level as we started, how epic is it to develop this idea, to hold this idea and then to convince the United States of this idea that money matters, that today we believe is mostly correct for now? And so just this idea that goes against the experts and then eventually wins out and drives so much of the economy, the biggest, the most powerful economy in the world. So fascinating.

Jennifer Burns

Yeah. So that's a fascinating story. And so what happens is Friedman has advanced all these ideas, he's ruled the economics profession, he's built a political profile and then he becomes the head of the American Economics Association. And he is asked in that role to give a presidential address. And so he gives his presidential address December 1967, and he says, "I'm going to talk about inflation and I'm going to talk about the trade-off between inflation and unemployment." And this is what's generally known as the Phillips Curve and the Phillips Curve in its original form is derived of post-World War II data. So it's derived of about 12 years of data, and it shows that when inflation goes up, unemployment goes down. And the idea would make sense that as the economy's heating up and lots of things are happening, more and more people are getting hired. And so this relationship has led policymakers to think that sometimes inflation is good, and if you want to lower unemployment, you could let inflation go a little bit. And in the crude forms, it becomes to seem like a menu. Like you could take your model and you could plug in, I want this much unemployment. And it would say, well, great, this is how much inflation you should do. And so then you would target that inflation rate. So Friedman gets up and he says, "this is wrong. This might work in the short term, but it's not going to work in the long term." Because in the long term inflation has... First of all, it has a momentum of its own. Once it gets going, it tends to build on itself. The accelerationist thesis, it accelerates. And once inflation gets going, and the reason it gets going is because workers go to the store and they see the price level has gone up, things have cost more. They ask for their wages to go up, then eventually the wages will go up too high and they will no longer be hireable or companies will decide at these high wages I can't hire as many workers, I'd better lay off. So if inflation keeps going eventually over the long term it will result in high unemployment. So he says, "theoretically, you could end up in a

situation where you have high inflation and high unemployment. This hasn't been seen," but he says, "theoretically this could happen." And then he goes and he says, "and the government has started expanding the money supply in 1966, so we're going to get a bunch of inflation, and then we're going to get a bunch of unemployment." And he estimates about how long it will take. And then he says, "once this all happens, it will take about 20 years to get back to normal." And-

Lex Fridman

And he predicts the stagflation of the 1970s.

Jennifer Burns

Stagflation of the 1970s.

Lex Fridman

[inaudible 01:19:39] for an economy. Again against the mainstream belief represented by the Phillips Curve.

Jennifer Burns

Yeah. And what really makes it happen is that many of the economists who most deeply dislike Friedman and most deeply dislike his politics in the 1970s, as they're running their models, they start to say Friedman's, right? They start to see in the data that he's right. And a very parallel process happens in Britain. Britain is going through a very similar burst of spending, burst of inflation. And so Friedman is vindicated in this very profound way, in the way that he himself said would be the ultimate vindication, which is, my theory should predict. So that prediction of stagflation is really the sort of final breakthrough of his ideas and also their importance to policy and to thinking about how we should intervene or not in the economy and what the role of the Federal Reserve is. Because he's saying the Federal Reserve is incredibly powerful. And finally people start to believe him.

Lex Fridman

And I don't know if we said, but to make clear stagflation means high unemployment and high inflation, which is a thing like you mentioned, was not seen before and he predicted accurately. And it also disproves the relationship, the inverse relationship between unemployment and inflation.

Jennifer Burns

Yeah. Now I should say the Phillips Curve is still out there. It's been expectations augmented and it is relevant in the short term, but Friedman's warning is still very much apt, that if you get too focused on unemployment you can let inflation out of the bag. And so until very recently, the Federal Reserve's tradition has been focusing on inflation, believing that's fundamental and that will keep unemployment low, rather than trying to lower unemployment at the cost of raising inflation.

Lex Fridman

Can we go back to Frank Knight and the big picture thing we started with, which is the justification of capitalism?

Jennifer Burns

Yes.

Lex Fridman

So as you mentioned, Milton Friedman searched for a moral justification of capitalism. Frank Knight was a big influence on Milton Friedman and including on this topic of understanding the moral justification of capitalism. I think you spoke about Knight's Case for capitalism was grounded in the idea that the ability to act in the face of uncertainty creates profit. And it should, because taking risks should be rewarded. So this idea that taking risks in the face of uncertainty should create profit, and that becomes a justification, the ethics of capitalism. Can you just speak to that?

Jennifer Burns

Yeah. So Knight is talking about where does profit come from? And to his mind, it comes from the entrepreneurial function and the risk-taking function. And so he kind of weaves that into why capitalism works best and why it's the most effective allocation machine and why it assigns responsibility in a way he believes that a socialist system never could. Now, Knight though is not a booster of capitalism. It could be in part because he's just a darkly pessimistic kind of depressive guy. And so he's afraid capitalism is going to collapse and socialism or fascism is going to take over, or communism. And so he kind of descends into darkness there. Friedman as the more optimist believes with Hayek, that you can develop a different approach to capitalism that would preserve the price system, preserve allocation, but build in social supports, build in a social minimum, things like this. But there's a moment in his career where he's really struggling to figure out, how do I make this case for capitalism? And basically the whole conservative movement or people who we later call the conservative movement are struggling to make this case. And he starts thinking about what makes capitalism work is that if you put forth effort, you get a reward. So then you could say, well, people get what they deserve under capitalism. But then he kind of stops and he says, "that's not really true, because we're born with such different endowments and there's a huge quotient of luck. So some people are just in the right position and some people aren't. So if I say capitalism is moral because people get what they deserve, that's not really true." And he also kind of has an ethical reaction, which he ends up calling an aesthetic reaction. He's kind of like, it just doesn't feel right to say that. And so he struggles for a while with, what do I say? And then he basically says, "capitalism, it can't be the core. Discipline of the market, can't be the core to your ethics, it has to be something else." So that's when he will decide it's freedom, it's individual freedom. That's really the ethical core. And capitalism makes individual freedom possible, because capitalism is dedicated to maximizing that. And so the defense of capitalism comes through freedom. And at his stage in history, he's

able to set aside nice worry about inequality and say, when I look at the data, and this is true for the macro data at mid-century, incomes are actually converging. And also if you look historically, if a country goes from say, a more feudal, agrarian society to a more market-based society, incomes will converge. Now and then they might start to diverge. But Friedman's in the moment when he's seeing the convergence. And so that's what he's really focused on. So he believes he can justify capitalism through the ethic of freedom. And he also believes that inequality is a problem that can be addressed through specific policies, and it's not a fundamental feature of capitalism. In other words, he doesn't see capitalism as an engine of inequality the way that Frank Knight did and the way that maybe some critics on the left would.

Lex Fridman

How did he conceive of freedom? So individual freedom, economic freedom, political freedom, civil freedom, what was the tension, the dynamic between those different freedoms for him?

Jennifer Burns

So he really begins focusing on economic freedom. And he says it's really important to focus on economic freedom because in the United States we don't value it enough. By economic freedom he means the ability to keep what you've earned, the ability to make decisions about your business, the ability to make decisions about the work that you do. So this will translate into things like, there shouldn't be a minimum wage. He believes the minimum wage has bad social effects, but he also believes you should be free to accept a job at a wage that you yourself have determined is acceptable to you. And there should be very minimal regulation questions around safety and other things, because the market will ultimately, if you create an unsafe product, it won't sell. And that's sort of your incentive. So he really centers economic freedom because he thinks especially, and he's really speaking from his vantage point in the universities and speaking to the kind of liberal consensus of the '50s and '60s, he thinks economic freedom has been undervalued in the American context. So he really wants to push that forward. He's really kind of taking political freedom for granted. Now later in his career when he becomes famous, he's traveling the world, he spends time in Chile, and this country is now being ruled by a dictator, Augusto Pinochet, who starts introducing economic freedom, but there's no political freedom. And Milton Friedman believes eventually these two things are going to go together. He tells Pinochet, "you've got economic freedom, and eventually it's going to mean political freedom." Pinochet is like, "okay, fine, not really interested in that. I want to know what I should do about inflation." But then when Milton Friedman leaves Chile, he is attacked and vilified for having been a supporter. It's interpreted that he's a supporter of the regime, which he's not, but he realizes he has talked too much about economic freedom and he hasn't talked enough about political freedom. He's kind of assumed political freedom, because he's come from the American context. So then he starts recalibrating them and saying, you know what? If you don't have political freedom, you're never going to be able to hold on to

economic freedom. So he sees that they need to go together and they don't naturally go together. And so he starts to become more clear in talking about political freedom. Now let's fast-forward to the end of his life, and he's witnessing the emergence of what we call the Asian tiger. So capitalist economies that are doing very well, but they don't have political freedom. But then he observes, you don't have political freedom, in that you can't vote in a free and fair election, but they also don't have a Stasi, they don't have a KGB. They're not hauling people off for their wrong opinions. So then he says they have something called civic freedom. And so he kind of defines this third sphere, civic freedom, of debate, discussion, interpersonal relations, but you can't be political. So this is a late in life edition. I don't think it's fully theorized. I think what it shows is that during the Cold War, he very much believed economic and political freedom, capitalism and freedom, democracy, the United States, capitalism, this all went together. And he starts to see at the end of his life the emergence of different social systems that are using market trading and allocation, but aren't giving people similar freedoms. And he's kind of puzzling over that. Now, he always believes that China will democratize, and he thinks China's on the path to democratization, in part because Chile does democratize. Eventually Pinochet has voted out and it's become a democratic capitalist and very prosperous country. And he thinks that's exactly what's happening in China. He sees Tiananmen and he doesn't live long enough to get to where we are now in which doesn't look like political or civic freedom is coming to China anytime soon.

Lex Fridman

And he did oppose the dual-track system of China, meaning the market is bottom-up, the government and China's top-down and you can't have both.

Jennifer Burns

He thought you couldn't have both.

Lex Fridman

Yeah.

Jennifer Burns

He thought eventually the market would triumph.

Lex Fridman

Well, that's a really powerful idea to say, okay, maybe there's not political freedom, but just hold on to the economic freedom and eventually that's going to give political freedom. Is that correct to say, start to work on the economic freedom and the political freedom piece will take care of itself?

Jennifer Burns

That's what he believed. That's what he believed, yeah. I think it's more complicated than that. The people who gain out of a system of economic freedom could decide to collude in a system where there isn't political freedom. That's certainly a scenario. But again, that's that core idea of freedom and that core belief that people want freedom and that people are drawn to freedom.

Lex Fridman

Just to go back to Frank Knight a little bit, he wrote an essay called The Ethics of Competition, he had the metaphor that economic life is a game. And then maybe that extends to society as a whole, like the entirety of it is a competitive game. And Milton Friedman, I think, adapted some of this, appreciated some of this. Can you speak to this metaphor?

Jennifer Burns

Yeah. I think what the metaphor of the game does is it asks you, okay, well what are the rules then? And let's focus on the rules that keep the game going. So he didn't use the concept of an infinite game, but I think that's an interesting one, a game that all the players are in and keep going again and again and again. And so that helped Knight along with Hayek shift from the allocation question, who's getting what? Are things allocated fairly? To the more structural question of what are the rules of the game that we need to keep this system going? And so for a while that led to the discussion of monopoly. Well, we need rules against concentration or we need the rule of law. Everyone needs to be treated equally. People need to know what they're up against. And then going back to monetarism, the core of monetarism is a rule. Friedman called it a monetary growth rule. And so again, what keeps the economic game going is a rule about how much the money grows, that everybody knows. Nobody's guessing, nobody's changing the rules to help their side or to help the people they're friendly with. We all know it's there, it's clear, it's easy. And so that emphasis on rules I think really has a through line. It goes into Hayek's competitive order, and then it goes into the monetary growth rule. And then today, monetary policy makes use of monetary policy rules. We have not abandoned discretion, but rules are used as a heuristic or a check, and those come out of Friedman's thinking. And so it's something... It's really profound, and it was always counterposed to discretion, which Friedman worried would be subject to capture or political corruption. If you had discretion in policymaking or if you had discretion in these very big areas, then people would stop competing against each other in a market and they would turn their attention to getting control of the rules or the rule makers.

Lex Fridman

So if there's clear transparent rules, then you're free to play the game.

Jennifer Burns

Yes, exactly.

Lex Fridman

But then depending on the rules, the game can turn out the equilibrium that it arrives at might be different. So that speaks to the mechanism design, the design of the rules.

Jennifer Burns

Yeah. And that was again, to go back to the idea separating new liberalism or neoliberalism from classical liberalism was more of a focus on what are the rules that are needed? What is the competitive order that we want to set out? How do we design in social safeguards? How do we think about it? And so that shift towards monetary policy and focusing on stable monetary growth, that becomes really important in the post-'70s era, is one of the basic rules of how capitalist economies should function. And it becomes really important because they see the example of say countries most notably in Latin America where monetary rules weren't followed and different governments played politics with their currencies, and that created huge upheaval and huge social loss, economic loss, just economic disaster.

Lex Fridman

So my friend, she's a poker player, philosopher of sorts, great human being, she has a podcast called Win-Win that everybody should listen to. And the whole purpose of the podcast and her whole way of being in spirit is to find win-win solutions. So do you think of economic life as having such win-win solutions? So being able to find rules where everybody wins, or is it always going to be zero-sum?

Jennifer Burns

I definitely believe in win-win, but with a big asterisk, you can have win-win, but it can feel like win-lose, which is, it's not just are people getting more, it has a lot to do with do people feel they're getting more, and do people feel they're getting what's fair and equal? So you could have a situation, for instance, if you look at the history of going back to Chile, it has steady growth, steady income growth, steady diminution of inequality, and a high level of discontent within the society and a high level of belief that the society is corrupt and unfair. And that's what matters, how people feel about it, how people perceive it, it matters. And we saw this recently, you can't just come out with a bunch of statistics and tell people you're winning in this game if they feel like they're losing. So that goes to all the non-rational factors and all the comparative factors that people have when they think about where they are vis-a-vis other people in society. So we're just incredibly social creatures. We're incredibly attuned to our status to rising and falling to where we sit vis-a-vis others. And so that absolutely has to be attended to. It can't just be an economic analysis.

Lex Fridman

That's so interesting that the experience of the economy is different than the reality of the economy. On the topic of corruption, I think the reality of corruption versus the perception of corruption is really important in a lot of these nations. You take Ukraine for example, the perception of corruption has a big impact on the economy. You don't want to invest. You're very cautious as a business person. The reality of corruption can be way different than the actual perception. But if narratives stay cold, it's a self-fulfilling prophecy, that it has a big effect on the psychology of the people involved. It's interesting.

Jennifer Burns

Yeah. This goes back to Keynes's analysis of the great depression. If people won't invest, if they're spooked, if the investing classes are spooked, you could be in real trouble. And in some ways, this simple analysis of the problem and proposal of a solution was enough to restore eventually the path to academic prosperity, right? That's Franklin Roosevelt, "nothing to fear, but fear itself." The sense of we know we have a future, we have optimism, then you believe in it. And to go back to thinking about money, money works because we all believe in it. It's a form of social trust, and it's a form of belief and faith in our society and in the other people in it. And when that breaks down, the money system will break down as well.

Lex Fridman

Is there something that Milton Friedman said and thought about how to control the psychology of humans at scale?

Jennifer Burns

No. What's interesting is he does talk, especially in his later work, he says, we have fiat currency. And this is an experiment. And we don't know how it's going to turn out and it's turning out okay right now, but we've always had a commodity-based or backed currency of some form or another. And this is the first time. And so who really knows? So far so good. And he also is very attuned, it's interesting in his later writings when he's thinking about this too, sure, I could design a monetary system that would be different, but when I look at history, I see that monetary systems have always incorporated the role of the state. Because it's so important to people. And so therefore, my theoretical designs really have to be tempered by what I've actually seen happen in history.

Lex Fridman

So maybe we could speak to this tension between how much government intervention is okay for Milton Friedman. So he was against minimum wage, but he was for guaranteed minimum income. Can you explain actually the difference between the two?

Jennifer Burns

Yeah. So this was one of the discoveries I made in my research. I found a paper from 1938. He wrote advocating what we would call today a universal basic income, a minimum income. And he basically sees this as part of the effort to create a new liberalism. And he basically says, we have advanced societies, we have prosperous societies. We have decided in keeping with our morals and our ethics that people should not be starving in an advanced society like this. The question is how are we going to make that happen? And he ended up believing the best thing to do was to put a floor under everybody. And he said, you can get that based on your income. If you have a lot of income, you don't get it. If you have a little income, you might get a little bit of it. If you have no income, you get enough of it. And he believed in the beginning, you should base that on what was required to buy food. That would be kind of an objective. You could objectively determine the nutrition and the price of food. And so that for him... It's important, he says it's keeping with a liberal polity because it's not intervening in the price system, it's not intervening in economic relations. And it does not, in his view, require a bureaucracy to administer. It is not, in his view, require that you qualify for it by virtue of being in a protected class. You just get it as kind of part of your membership in this general citizenship body. And so that to him was really different than a minimum wage because it did not interfere with the work bargain. His belief about minimum wages was specifically that it priced out unskilled labor. That what an unskilled laborer had to offer was a willingness to work for a very low wage. And if you set the minimum wage too high, businesses instead of hiring that higher-priced labor would not hire. Or we could think of today, they put in an electronic checkout or something like this, where you don't actually need the labor. So he really believed the minimum wage had that perverse incentive. Now, this is a live debate on what minimum wages do, and there seems to be a level at which you can set them that they can not have that perverse effect, and in fact can kind of create people with more spending money, that then powers the economy. So he had a very sort of clinical analysis of that rather than an empirical one or a really abstract analysis. But the minimum income is fascinating because it seems very leftist to us. But what it is it's purely individualistic. And it never really happened because it was so purely individualistic. Because American social policy typically identifies this group of people is deserving and we'll give them benefits. So the classic example is soldiers, veterans. Another example is mothers raising dependent children. These people deserve money. The rest of you, you better go out and work. And so Friedman's proposal, it really caught on in the '60s. It ultimately went nowhere, but it was no litmus test, no income analysis, just we're going to give you this much, everyone's going to get this much. And he decided once mass... ... this much. Everyone's going to get this much. And he decided once mass taxation had come in, you could do it through taxes, and you could just rebate people who didn't pay income taxes got a rebate that actually came to pass. It's the earned income tax credit, and it's considered extremely successful by policy analysts. It does what it's supposed to do. It's not that expensive. And so I see that as a paradigm of his thinking in that instead of creating a bureaucracy that does some form of redistribution or instead of trying to intervene in the market for labor or the market for something else, the market for

housing, you provide a cash grant that people spend for themselves. And so interestingly, that's what happened in the emergency situation of COVID, right? That's exactly what people did. They followed that model. We just get money out quick. And there's a lot of discussions still about UBI is something that should be done. And I think it's always going to be hard to pull off because I think Americans and their elected representatives don't want to provide a universal benefit. They want to provide a targeted benefit because they believe there's a moral component here. And Friedman advanced a policy that was really abstract and really it was devoid of judgment. It was pure and beautiful in that way but utterly impractical.

Lex Fridman

And it really focused on not interfering with the market and the signals that the market provides. He was really against price controls for the same kind of reason.

Jennifer Burns

Yeah, exactly. You could say, "Okay, but how does this not interfere with the market, right? If you provide people with a minimum income, won't that change their incentives to work, et cetera?" There's a big body of research on this. Most of it seems to show, that one, it's way better than the current benefits cliff where you have to not work to get your benefits. And any incentive impact on working seems to be much lower than would be expected. But I'll let the economists and the social scientists fight that one out and figure it out empirically. Hopefully, we should be able to.

Lex Fridman

Yeah, there's been a bunch of studies. It's interesting even just how you conduct studies like this, how you do these kinds of experiments, especially if you're empirically minded because a lot of the studies I saw is they're pretty small, so how do you make big conclusions about how to run the world, how to run the economies from such small studies? It's all a fascinating experiment of ideas, and it's also inspiring to see individuals and maybe small groups of individuals like the Chicago School of Economics to shake out what we believe and how we run the world.

Jennifer Burns

Yeah.

Lex Fridman

Inspiring. You call Milton Friedman, The Last Great Conservative, maybe to be a little bit controversial and make bold statements that get everybody excited, but what do you mean by that, and what makes it great conservative?

Jennifer Burns

So I was really thinking of that in terms of American political identities and particularly the 20th-century conservative movement, which people are always saying, "This isn't conservatism." And I'm saying, "Yes, in America, conservatism is different. It looks different. It feels different." Conservatism in America builds in a big component of what we could call libertarianism, anti-government ideas and critics will say, but conservatism is about conserving institutions and practices, and it has a role for the state and an organic community. But in the United States, it's always had since the 20th century also this anti-statist, let's let the market rip. It's not worry about what the market does to establish traditions. The market is our tradition. Capitalism is our tradition, so that was really synthesized. Many people were there, but Friedman and the importance of his books *Free to Choose*, *Capitalism and Freedom*, the television series he did. All of these were core components of this American conservative synthesis as it evolved. And I really see that as having broken down. It is scattered into different pieces and we don't know where they're going to come back together again. But Friedman's push for open global markets, unfettered free trade. It's getting pushback on both the left and the right. That I think is just a major sign that both parties have turned away from this vision. I don't know what they've turned to, but the way that Friedman brought these pieces together, I think that political moment has passed. So that's what I was trying to talk about with the book title. There's another way though in which I think of him also as a conservative, which is that within the field of economics, he went back to this older idea, the quantity theory of money, and said, "This still has value. This can be applied in the modern day. It is something to teach us." And he pushed back against this trend towards mathematization, so he kept writing books. You can still pick up a Friedman book and read it, where's lots of economics articles and output, it's unreadable unless you're in the field. And so I think in that way, he was trying to conserve methodologically and intellectually the traditions of the field, the work that he and particularly Anna Schwartz did, that literal counting of things and deep analysis of data from the field that was the completely unfashionable and his time. Now, we've gone back to it with big data and with computers, but he helped bring that forward and preserve that tradition. So I think of him intellectually as a conservative, if you think of the mode of his thought. And so, what makes a great conservative is one who takes those older ideas and makes them fresh for a new time period. I think that's exactly what he did.

Lex Fridman

You've also spoken about the fact that the times when he was out in public, there was more of an open battle of ideas where conservatism often had William F. Buckley. He had a more vibrant, deep debate over ideas where it seems less deep now.

Jennifer Burns

That is the thing that it's hard, especially for the students I teach today, to be like. There were arguments about ideas, and conservatives won a bunch of them. And that happened in the '70s and late 1960s to 1970s when one set of arguments was about economics. Like,

"Okay, this idea of stimulating the economy by spending more. It has a downside. The downside's called inflation, and the downside's called too much regulation. And you've gone too far in bottling up the actual sources of economic growth and dynamism, and we have to let those free." In social policy, there was also a critique. The Great Society had all these ideas of ending poverty, and people came and analyzed them and said, "The programs aren't helping. In some ways, you've actually created engines to trap people in poverty because you've given them a benefit and said, if they actually start to work, they lose the benefit. You've created all these perverse incentives," and these ideas were fought out. They were empirical. They were controversial, and they were based on really deep research and really deep argumentation. And so it seems that era has passed. It seems we're driven much more quickly by moods rather than thought-through ideas. Right now, it seems the ideas they follow the political mood and try to put together the underpinning of it where it really was the opposite for much of the 20th century.

Lex Fridman

It does seem like we lead with emotional turmoil and the ideas follow versus lead with the ideas and the emotion of the masses respond.

Jennifer Burns

Right, exactly. So, if we think of the evolution of conservatism, it was a whole set of ideas that was crafted, refined. The 1950s, 1960s, 1970s really found their emotional standard-bearer, translator, salesperson in Ronald Reagan, who incidentally had been following these ideas as they developed and had been honing his ability to express them and apply them politically. It's a very opposite if we look at Trump as the political definer of the era. There's a set of ideas, but it was more attitudes, impulses, vibes, and the ideas are coming after that, trying to figure out how they patch on. So it's interesting to watch, to see that difference. And I hazard that a lot of it just has to do with the immediacy of the media environment we're in, and it's just power of the media messages to get out so fast.

Lex Fridman

What do you think Milton Friedman would say about Donald Trump about him winning in 2024, and just in general, this political moment?

Jennifer Burns

I think he would love DOGE. I think that's goes without saying.

Lex Fridman

He's hooked on that part.

Jennifer Burns

I think he would focus on that part. I think he would really love it. He would be very alarmed by the idea of tariffs and very alarmed by the return to protectionism. I think he believed

that part of what made the world peaceful in the second half of the 20th century, as opposed to during World War II, was the world was knit together more by trade. And that was the great hope that if people traded with each other, they wouldn't fight. He was also a proponent of the free movement of capital. He would absolutely oppose this idea that Nippon Steel wasn't allowed to invest in the United States. I think he would struggle, and he wholeheartedly embraced Reagan, and he worked to minimize the parts of the Reagan legacy he didn't like. I think he would find it harder to embrace Trump because he's not of that style, and he just had a different style. But I'm guessing he would've come around through the... I think he would just say, "Okay, we have a chance to reduce the size of government." At the same time, the spending plans of the Trump administration are not fiscally conservative in any way, and that was his concern, was not so much with debt but with the feeling that there's no mechanism to stop the growth of government, that it just grows and grows and grows. And so he ended up believing even deficits aren't so bad because they make politicians cautious, he thought, about continuing to spend, but I have to believe he would be concerned about the potential threats to the US currency's position as the world's reserve currency with increased levels of debt and spending. He was concerned about low interest rates. He died, I think it's 2004, 2006, but it was in the beginning, he didn't see the zero low bound, but he saw low interest rates. And he said, "This isn't necessarily good. Everyone's talking about low interest rates as if they're good, but there should be a price on capital. There should be a price on this. It shouldn't be so low." And so he had still the macro insights that I think are important.

Lex Fridman

You wrote The Wall Street Journal essay titled How Inflation Ended Neoliberalism and Re-elected Trump, so can we weave that into this discussion in terms of inflation and Trump? What's the main idea of the essay?

Jennifer Burns

So, the main idea is looking back and saying, "So today, we have been living in a world where people have been focused on monetary policy, steady monetary policy, free trade, reducing regulation. This is all called the neoliberal era." And my argument was a lot of that arose was driven by inflation, so we have Milton Friedman predict inflation in 1967. It starts breaking out in the 1970s. Britain and the United States, and every institution was designed around stable prices. And once inflation broke out, prices were no longer stable. So, for example, tax rates weren't inflation-adjusted. So if your income went up because of inflation, you might bump from a low tax rate to an extremely high tax rate, but you don't actually have more money, on paper you have more money, but everything costs more, so you don't actually have more money and your taxes have gone up. That kicks off the taxpayer revolt. There's a whole shift of American corporations towards focusing on financial investments because the tax breaks they used to get for depreciation for building new factories are not inflation-adjusted, so they no longer pay off in an inflationary environment. And then when Paul Volcker comes in early 1980s, and starts fighting inflation really pushes up interest

rates to bring down inflation. And that completely reorders the banking sector because banks had statutory legal limits on the interest they could charge. And once general market interest rates exceeded that, it was proliferation of new financial forms to take advantage of that. So my point was the era we live in was ushered in by inflation, and then everyone turned against all the formulations we had and said, "Well, these have hollowed out our industrial base. We've got too much immigration. We've got too much economic openness. We need to reshore. We need to focus. We need to turn against all these things. We need to spend more. We've disinvested." And the net result of that turning away, I argued, is people forgot about inflation. They really forgot it could ever exist. And you had a whole set of theories on the left, modern monetary theory, that basically said, "We don't really need to worry about inflation. We can spend what we want." And lo and behold, inflation came back. And so my argument is, that has now opened the door to the presidency of Donald Trump, which is potentially a deeply transformative moment that will change the size and shape of government, that may change our foreign policy profoundly, that may change our immigration policy, that may change the demographics of our country, all of that, and my thesis is that that's all been made possible by inflation. And so the great mistake of the past years was to forget how fundamental inflation was to the rise of the last political order and to profoundly underestimate how much inflation would change the current political order. So I just think it's one of these things... This is why I think you should study history because if you had studied history, you would be aware of this. And it's so easy for people to forget, just like the banks forgot that interest rates could ever go up. They got so used to it, and it's only a 10, 15-year thing, but to them, that seems like forever. So I really do believe what history teaches you to do is just have a much vaster scope in your vision and then take into account the possibilities of so many things happening that are different than what's happening today. And so I just hope we don't forget about inflation entirely, but here's the thing, it is quite a strong chance that Trump's policies will initiate even worse inflation, and then they will prove to be his undoing, so the ironies of inflation could be continuing.

Lex Fridman

Like you said, Milton Friedman would be a big fan of DOGE, so if he was still here today and rolled with Elon Musk and Vivek, what advice would he give? What do you think he would focus on in terms of where to cut, how to cut, how to think about cutting?

Jennifer Burns

His signature policy move, I talk about this, is taking the price mechanism and trying to make that into the policy. And that seems obvious to us today, but in the era that he came in, so there would be rent controls, let's take away rent controls, let's let housing prices set themselves, or he was very against national parks, I actually think that national parks are good, so I hope that DOGE people don't take this up, but that rather than an allocation to fund the national parks, they should be funded by the revenue that they bring in when people visit them. And so I think he was always looking to, let's let prices make the decisions here, so I think that would be one of the key pieces. The other thing I think he'd really be

thinking about, he wrote about this a lot, about occupational licensure and barriers to entry. And he felt like one of the worst things that government does, and sometimes it's private entities that do this, is create barriers to entry to protect industries and markets. So he talked about this in the case of the medical profession, which I think is actually not a good example because I think we all have a collective investment in having medical doctors be highly trained. But so, for instance, you could look at nail technicians or haircutting. There's often these licensing requirements, or there's a big kerfuffle. I think it's DC passed a law that to run a childcare center you have to have a college degree. Well, what does that do? That disenfranchises a whole bunch of would-be entrepreneurs who don't happen to have a college degree but probably could be really good at this particular business. So I think he would be saying, "Look out for where private interests have used the state to protect themselves and clear away those types of barriers and let competition through prices guide outcomes."

Lex Fridman

So, open up for more competition and allow for more signals from the market to drive decisions, and so on-

Jennifer Burns

Yes.

Lex Fridman

... which would actually naturally lead to cutting a lot of the bureaucracy of government.

Jennifer Burns

I think the other thing he would probably be arguing for is, again, going back to the design of the minimum income or the negative income tax, that there's a way he... Ultimately, he decided to run it through the tax system. The government's already collecting this data, they already have your information, and they can just send the money out through the system rather than having a social bureaucracy where you have to come in person, you have to fill out forms, you have to document. Do you own a car? What's your income? Who lives in the household? And his analysis of that, who that really benefited, was the bureaucracy that processed that paper, that implemented those norms, and that if you could pull that away, you could get help out where it was needed much quicker without having this drag of people doing unproductive work of administering these systems, so trying to cut administrative overhead. And what he didn't have then, which we have now, is the technology that we have and the ability to send benefits out via smartphone or just to move so much faster and to handle information on a mass scale so much faster.

Lex Fridman

It's painful but I think one of the big things you can do is just that, which is digitalize. I don't know if that's a word, but just convert everything into where the speed of signal can be

instantaneous. So there's no paperwork. It goes immediately, and then that means that the pricing signals and all these things are just immediately available to people.

Jennifer Burns

That seems to be the low-hanging fruit, government IT systems could be vastly improved among.

Lex Fridman

But that would result again with a lot of people getting fired. And I think somebody submitted a question for me saying, "What are your thoughts as a person who cares about compassion? What are your thoughts about government employees, which there's a lot of that are going to be hurt by DOGE?" It is always a really difficult question. A lot of people get fired to make room for a new system that's going to lead to a lot of pain.

Jennifer Burns

There is going to be a lot of pain. I don't know what the solution is. I think that's also part of why Friedman favored a minimum income. He talked about it being countercyclical, in other words, when things were really bad, the spending level on it would naturally go up. This is what economists today call an automatic stabilizer. And then, when it's not needed, the cost of it goes down. Maybe there's a way to sweeten it with honey and have people take buyouts or things like that. That would certainly be a way better way to go.

Lex Fridman

I did a podcast with Javier Milei. He has consistently praised Milton Friedman and cited him as one of his inspirations. So what do you think Milton Friedman would say about what's going on in Argentina and what Javier Milei's trying to do in Argentina?

Jennifer Burns

Yeah, I think he would appreciate it. I think Milei is a much more of an Austrian-inspired thinker, but I think he definitely appreciates Friedman. And on the macro level, Friedman always understood it's really painful to treat inflation, but the more you put it off, the harder it is. So I think he would be trying to get him as he's doing to just message that short-term pain, long-term gain. I think he'd be very supportive. I think he'd be thrilled to see, also, that Milei is very good at explaining these abstract ideas and putting his policies in the framework of the bigger picture. That was really meaningful to Friedman. I don't know how politically persuasive it is overall. Milei's very intense. He doesn't have the same gifts of salesmanship and setting people at ease that say someone like Ronald Reagan had, but it seems to be that's what his country was calling for right now.

Lex Fridman

Yeah, he is more chainsaw-less, like warm blanket. Javier recollects this line from Milton Friedman. I don't know if this is accurate, but "If you strive for equality over freedom, you

often get neither. But if you strive for freedom, you often get both.” You think there’s truth to this?

Jennifer Burns

I think on the big picture, definitely. We’ve seen focusing too much on equality can be... Because equality is such an alluring word, it can lead you to downgrade all kinds of other things that are really important. But I really think it depends on how you’re defining freedom. The statement is too big and too broad, right? So, if by freedom you mean not having to pay taxes if you’re successful, that can have all kinds of knock-on effects. The idea that people are able to prosper when they’re educated. Where is education going to come from? How is that going to be paid for and supported? And again, to go back to Knight, if you’re generating too much inequality or people are feeling that you’re generating too much inequality, sometimes they value that more than they value freedom, and so I think there has to be more of a balance, and it’s hard to make such global statements. You have to break them down into what actually do you mean. But again, Milei is coming from a very different context, a very different country that has seen so much upheaval, so much government intervention, so much inflation, so much political turmoil. He’s probably thinking about it differently than Friedman was thinking about it.

Lex Fridman

Yeah, there was, there probably still is, a real threat of hyperinflation. There seems to be a very high level of corruption or the capacity for corruption, so it’s a really messy situation. So Javier Milei likes to recollect this great line from Milton Friedman that, “If you strive for equality over freedom, you often get neither. But if you strive for freedom, you often get both.” Do you think there’s a truth to this?

Jennifer Burns

Yeah, in the macro, for sure. We’ve seen if you really put equality as your goal, it’s such a seductive ideal, and people believe in it so much that they can carry out horrible crimes in the name of equality. But then, focusing on freedom, these words are too big, they’re so hard to define. And so I think you have to ask, “What is the freedom you’re talking about?” Right? If you’re talking about the freedom of ordinary people to be entrepreneurial, to make their own way, to start new things, to continue what they’re doing, to keep what they’ve earned, for sure, that can increase the equality overall. If you’re talking about lower taxes, if freedom is just a code for lower taxes, there has to be... Lower taxes, in general, great, but if you’re one of the top generators of wealth, there has to be some way to ensure that, say, education, right? People prosper when they’re well-educated, that’s when economies do better. Education is generally state-funded, and you need some way to support that and provide for those institutions that structure society that make competition possible. So, I think it’s just a really broad statement, but again, Milei is coming from a really different context. He’s coming from the South American context, from such upheaval, such

economic devastation in pursuit of the goal of equality that I think trying to rebalance with that emphasis on freedom, I definitely see where he is coming from.

Lex Fridman

If we can pivot a little bit, we've talked about Reagan. What are some interesting stories about how Milton Friedman navigated the Reagan and maybe even the Nixon administrations and how he was able to gain influence?

Jennifer Burns

Well, the Nixon administration is an interesting case because... So, I've been talking about inflation and the different consequences it had. One consequence it had is that it began to undermine the Bretton Woods currency system that was established in the wake of World War II. Now, Bretton Woods, what it did, basically, it ended up inadvertently putting the US dollar at the center of the world economic system. But under Bretton Woods, countries of the industrialized West agreed to trade their currency in set ratios that government set, so a franc was worth so many dollars or a German mark was worth so many francs, and then also under this system, countries could come to the United States, and they could trade the dollars that they held for gold because the US was on a modified gold standard. There was a ratio of gold to paper money. And so the system was set up and very quickly, most countries, the dollar was at the heart of it in that the converting into and out of dollars was really the mechanism of trade for many of these countries. So Friedman said, "What we should have is floating exchange rates." This is an idea, again, of instead of having a top-down design of policy, an administered policy, we will have policies set by prices, and you should be able to trade currencies on an open market, they should trade, and they should fluctuate, and that would be fine. Totally outlandish idea, but he was pinpointing the fact that Bretton Woods had an instability, and that instability began to emerge in the time of inflation. So you have more and more dollars being printed, they're worth less and less. If European nations keep trading their currency for dollars, they're going to be importing inflation into their own economies. So they say, "We don't want these dollars. We'd like some gold instead." And they have the right to go to the treasury, send in an order, and get gold out. And so they start doing this more and more, and it becomes... It's called the gold drain, and the United States starts running out of gold. They're aware this is happening through the '60s. They're trying various things to fix it. And when Nixon comes into office in '68, Friedman sends him a memo, and it says, "This is going to be a real problem." He says something like, "This is a running sore, and you have to lance it right away," some very graphic-

Lex Fridman

Very nice.

Jennifer Burns

... metaphor, "otherwise it's going to explode." Nixon just files the memo away. Nixon loved people to think he was influenced by and following the wisdom of Milton Friedman, but he didn't actually want to do that. He just wanted the political benefit that came from it. So then comes the moment where the US Treasury Department realizes we are going to run out of gold. What should we do? And everybody decamps to Camp David, and Nixon decides, we're just going to stop redeeming currency for gold. It's called slamming the gold window shut. Done. And he also, at that same meeting, decides to institute price controls. He does a whole bunch of stuff. It's an emergency. He calls it the New Economic Plan, which is an unconscious echo of the Soviet New Economic Plan, so a problematic name, a problematic policy. And Friedman is livid at the price controls, but he's like, "Actually, it's great that you close the gold window. Let's go all the way to floating exchange rates." And this idea was heresy within the Treasury Department. Everyone's very committed to the idea of the gold standard convertibility possibility of the United States at the court, the financial system kind of hem and haw. But at this point, Friedman has a very close relationship with George Shultz, and George Shultz is a high-level appointee who will eventually, over the course of the Nixon administration, become the Treasury Secretary. And so Friedman is feeding Shultz all his ideas about how we should move to floating exchange rates, how we shouldn't try to reconstruct Bretton Woods and the people in Treasury... It's funny because I read some of their accounts, and actually Paul Volcker is in the Treasury Department at this time, and he can sense that Friedman is in here somewhere, feeding his boss ideas. He doesn't quite know. And in the oral history, Shultz talks about this quite a bit, so at any rate, Friedman exerts this behind-the-scenes influence, and what Shultz does is just lets Bretton Woods fade away. He doesn't make grand pronouncements. It just slowly the world shifts to a regime of... For a while, it was a regime of steady prices, and then they call it a steady regime of changing prices, or whatever. The language changes, the reality changes, and they end up where they are, so that's a real measure of Friedman's influence. If there had been another economist in Shultz's ear that said, "No, catastrophe is imminent. We have to go back to Bretton Woods," he probably would've worked harder. The US government would've worked harder. And so that becomes one of these pieces of globalization. And what people don't realize is there used to be, in addition to these floating set capital ratios, you couldn't bring capital in and out of different countries. You had to register. You couldn't invest. Where all these rules and strictures and the falling of Bretton Woods really blows that all open. It's a precursor to globalization, so Friedman is right there. Now, he's very ambivalent about Nixon. He sees that Nixon is not an honest person. He thinks he's very intelligent, and Nixon's dream is to create a new centrist majority. So, he does many things to go back on his supposed economic principles and ideals. So Friedman does not like this. He doesn't like the price controls. He's in communication with his old mentor, Arthur Burns, who's now the Chair of the Federal Reserve. And Burns is basically doing everything wrong in monetary policy. And I describe this in the book in some detail, these anguished letters back and forth, and basically, as I see it, Burns doesn't have a solid theory of inflation, and the more Friedman

pushes him, it's almost like Burns is willfully ignoring Friedman and doing the opposite of what Friedman says, so Burns is running a very loose monetary policy. Inflation is quite considerable over the '70s. We were all spooked by... What did it get to? 6%, something like that. Recently for a very short time, this is inflation going over 10%, hovering at 8% for basically the whole decade of the '70s, going up and down but with extremely elevated rates. And so, the Carter presidency largely follows foreign policies. A big part of... The Carter presidency largely fails. Foreign policy is a big part of it, but the failure to tame inflation is part of it. And then Reagan comes in, and now Reagan loves Friedman and Friedman loves Reagan, very mutual feeling. The Reagan administration creates an advisory economic board. Friedman's on it. He's retired now. He's entering golden years, but he really has Reagan's ear. And here what he does is he convinces Reagan of his theory of inflation, which is inflation has been caused. It's a monetary phenomenon that has been caused by bad monetary policy. Inflation has an accelerating dynamic. The only way to end inflation is by really showing and signaling that government policy has changed. And when you do that, it's very painful for a short amount of time, people will suffer, but then you will come out on the other side into stable prices, and this is what you need for economic prosperity. So the man who implements this policy, Paul Volcker, he's definitely influenced by Friedman, buys the big picture of Friedman. He even buys Friedman's specific technique of the monetary growth rule and of the focus on monetary aggregates, which Friedman has said, "Money matters, aggregates matter, and that's what money is." Pretty quickly Volcker finds that because of inflation and the financial deregulation in response to it, the aggregates don't work the way Friedman said they would. And so the specific policy Friedman recommends, Volcker tries it for a year or so, doesn't work super well. But what does work is letting interest rates go high, go above inflation, to a point where both the general citizenry and the financial markets believe like, oh, they're actually serious about inflation. And because we've had a decade of inflation with all these presidents saying, Ford, "We're going to whip inflation now," that monetary policy has lost credibility. This is why people focus so much on credibility today, because once it's lost, it's really hard to get it back. And one way Volcker gets it back is interest rates over 20%. Unemployment very high, as high as 25% in construction sectors. And as this is happening, Milton Friedman is whispering in Reagan's ear, "This is the right thing. Stay the course. This is going to work." Now, interestingly, he hates Volcker or Volcker hates him, and Friedman will never give Volcker credit for this policy, but he will give Reagan credit for this policy. But he owes credit himself for keeping Reagan from wobbling on this policy and just pushing it through. And he also tells Reagan, very pragmatically, "You better do this now. You've got a four-year term. Do this in the first two years of your term. Things will have turned around by 1984 when you run for reelection and you'll benefit from it." And that's absolutely what happens.

Lex Fridman

If we could take a small tangent, a question I have to ask about, since we mentioned Bretton Woods and maybe the gold standard, maybe just have a general discussion about this whole space of ideas, there's a lot of people today that care about cryptocurrency. What do you

think that Milton Friedman would say about cryptocurrency and what role crypto might play in the economy, whether he would be for this idea against this idea, and if we could look at it for today, and also just 10, 100 years from now?

Jennifer Burns

There's a clip, I think it's in 1992, where people say, "Oh, Friedman predicted cryptocurrencies," because he's talking about how payments will eventually be electronic. So in some ways definitely, as he was looking at the computer and money, he knew these would come together in some way. I think he probably would see a use case for crypto. He definitely would not buy the stronger forms, I think of crypto ideology in which we could be heading towards a future in which there's many different currencies that compete or that are distributed or there's a stateless currency. And he addresses this very, very clearly because Hayek's Denationalization of Money, it's a paper in the late '70s. Hayek argues for this kind of competing currency model or regime. And so he's responding to that. He's responding to people writing about free banking, and he basically says, "Look, even if you developed a variety of competing currencies, eventually society would converge on one." And that's because people just want one currency that they know. They don't want a bunch of different options. Even in places where there have been options to do that, they've been used very minimally. And then he says, "Secondly, the state always steps in." He says, "Technically, theoretically, it doesn't have to. I could draw you a model. I could tell you about how it could work without the state. But in actual reality, all human societies, through time and space, the state eventually becomes involved in the provision of money because it has so many knock-on effects to so many people." So sure, I think he would, again, find a use case for crypto, think it's interesting, but I don't think he would see it as this is going to displace state money and we're going to have a variety of distributed currencies. The other thing he really stresses is that a change in a monetary system, it only happens amid great, great crisis. So again, you see in countries where the state is not controlling the money well, that's when people are more turning to crypto. But he says, because money is so fundamental, there is going to be so much political pressure on any country that gets the currency profoundly wrong that the government will fall and another one will replace it. So if you look at episodes of hyperinflation, they don't go on very long because they're so upsetting to people.

Lex Fridman

If we can go back in time, we've talked about it a bunch, but it's still a fascinating time, the Great Depression. University of Chicago, there's these folks like Jacob Viner, Frank Knight, Henry Simons, all of these influenced the thinking of Milton Friedman. There's this Room Seven situation at the University of Chicago. Just going back there, even just speaking almost philosophically, what does it take to explore ideas together, deliberate, argue in that space, and maybe there might be interesting stories about that time. It would just be interesting to understand how somebody like Milton Friedman forms. The seed is planted and the flower blooms.

Jennifer Burns

Yeah. Yeah. So he gets to University of Chicago, he makes fast friends, and in his third and fourth year, they become what I call them, the Room Seven gang. So Room Seven is they find an old store room in the basement, they take it over, and that's where they have their jam sessions. And what made this world come together was Frank Knight. There was a charismatic leader and there were a bunch of acolytes who clustered around him. That I think was a key piece of the ingredient. And then there was a sense that they were onto something that the rest of the economics field had forgotten or was rejecting. So there was that sense of mission. So that seems to have been, there was a formal education piece, and then there was a parallel education piece rooted in admiration for a thinker, a shared admiration. And then what that led Friedman to do, what I found, syllabi that he had from non-economics courses, lists of books. And he'd written the prices of different ones he wanted to read. So he had John Stuart Mill, On Liberty, like 50 cents written in the margin. So he began to educate himself. He gave himself a parallel curriculum alongside this very formal economics curriculum. He started reading the traditions of political liberalism and then talking them through with friends and then developing a shared sense of mission. And the incredible thing is, of those friends in the group, they scattered for like 10 years, and then they all came back together. George Stigler, his great friend, was hired at Chicago. Aaron Director, who was his wife's brother, was at Chicago. So many of these people continued. He became Frank Knight's colleague. So that was the base. That was what really grew him, that really profound peer group. Now, the other piece I talk about a lot is Friedman was a collaborator, an open-minded collaborator, and he had incredible connections with economists who were women. And he basically found first in the figure of Anna Schwartz, later in the figure of this group of women who were his wife's friends, this untapped pool of talent. And so he immersed himself in this whole other world of consumption economics and that resulted in his more technical work on a theory of the consumption function, which is the theory of permanent income. So for Friedman, intellectual work and intellectual production was always done in this very social context, in a context that blended friendship and intellectual partnership. And he only had a handful of friends who were not also economists interested in the same questions he was. So he just lived and breathed ideas all day long.

Lex Fridman

Can you speak to the jam sessions? What do we know about the jam sessions? What are we talking about here? You're sitting in a room, are they analyzing? Are they reading papers and discussing papers> or are they arguing more over beers kind of situation?

Jennifer Burns

Yeah, more arguing over beers. And in this case, there's several people who say it was all about Frank Knight. What did he say? What did he mean when he said it? Is he right? And so Knight, he would say one thing and then say another. If you read him, it's very hard to follow what he's actually saying because he's full of qualifications and ironies. It blends. And so he

would throw out these pieces and then the students would clutch at them, and then they would come back together and try to assemble this worldview. And then Frank Knight fell into this terrible depression, and to cheer him up, they planned a big party and they went back through all of his previous writings and they assembled them into a book that was published. This is the Ethics of Competition, and you can read the introduction written in part by Milton Friedman. So not only were they talking about Knight and what he said, but then they started pouring over his work. One of them described it as a general equilibrium system where you had to know all the parts and then all of a sudden it all fit together in a whole. So if we step back, what they were doing was getting inside the mind of a great thinker and understanding the ways it all fit together and then testing their ideas against Knight's. And what's fascinating is, one of the first papers that Friedman publishes in statistics is a rebuttal of Frank Knight. He publishes a rebuttal of Frank Knight's ideas about risk and uncertainty. And Frank Knight, he took a black swan argument. He said, "Risk, you can calculate. Uncertainty, you can't existentially philosophically. You can't get your hands around it. It is the Black Swan." And Friedman publishes this statistical paper and he says, "I can put uncertainty on a graph." And so there's that Freudian killing of the father element when he comes back and he will in some ways turn his back on Knight's approach and Knight's pessimism even while it's a foundation of his thinking.

Lex Fridman

Fascinating. Is there something you could say about the thinking process that Milton Friedman followed, how he developed his ideas? You mentioned there's a strong collaborative component, but there's another story I saw about that I think his son recalled about the argument number system that you mentioned, which, by the way, if you can explain that as a tangent of a tangent, that's really awesome. I think it's number one if the other person is right.

Jennifer Burns

Number two means you were right and I was wrong. And the number system evolved in some ways to be quick and efficient, but in other ways they also were really clear about it. So something like there's three reasons behind it. First is, if you use a number, it reminds the listener that it's really hard to say the words, "I was wrong." So you're calling on their sympathy by using the number, reminding them that you're doing a hard thing. And then it's also reminding them that you're in this family with this code, and so you're signaling your membership and your closeness and your love, really. It's supposed to be an easy way to disagree without breaking the relationship.

Lex Fridman

So admitting you're wrong now comes with this warm fuzzy feeling?

Jennifer Burns

Yeah, yeah.

Lex Fridman

And, really, I mean, that's so powerful. I think so much of the friction of human interaction could be boiled down to just not being able to admit they are wrong efficiently and quickly and regularly and just often. And to be able to do that, that's really powerful.

Jennifer Burns

I think it is a really neat aspect of their family life, for sure.

Lex Fridman

That's a fun story, but can we just generalize to how he engaged in collaboration, how he developed his ideas? Is there a thinking process?

Jennifer Burns

So he taught at the University of Chicago, and he tended to teach for six months and then have six months off. And he spent the summers in New Hampshire or Vermont, right near that border. They had two different houses. And that to him was the deep thinking time. And so when he's at Chicago, he's teaching, he's arguing. Some people love his teaching style, very much in charge, very much keeping students on their toes, confrontational. Others found it too much, overwhelming, shut them down intellectually and they couldn't cope with it. And so I think it was go time when he was teaching. In that case, that was a lot of social time interacting, talking other professors, going out and giving papers, arguing with the people at Yale or Harvard. Then he would go and do these very deep dives over the summer. He would also regularly do these trips to New York to see Anna Schwartz, his 12-year collaborator. Phone calls were really expensive. They did have quite an extensive correspondence, but then they would do these meetings. So he would basically come in at the beginning of the summer going to Rahway, stop in New York, see Schwartz, and then again on the way back to Chicago. So he'd have these deep check-ins at that point. The other thing that happened is people would come visit him in New Hampshire. He had his studio separate from the house, he would go and he would work, and then at night his friends would come. His friends were all economists. There's a whole cluster of economists. They all clustered within driving distance of the Dartmouth Library so that they could get their hands on books. And so they would come over and then they would argue and talk into the night. So I think he did need that deep focus time, but he also lived a very engaged, very embedded social life.

Lex Fridman

A part of which was this marriage. Is there something you could say about love, about marriage, about relationship that made the whole thing work, it was vibrant, and they wrote a biography together?

Jennifer Burns

They did. I mean, they were very complimentary. They were the yin and the yang. She was very introverted, somewhat suspicious of others, skeptical, and he was extremely extroverted, optimistic, high energy. And they also were at a time when it was really clear. For broader society, these are the roles of a man, these are the roles of a woman. And they pretty much adopted those. Now, Rose Friedman did some very important economic work. She's part of the early stages of the theory of the consumption function. She didn't complete her degree because she really knew if she wanted to be married and have children in the world she lived in, there wasn't a real pathway to also being an economist. I do think that a lot of that, although it feels very gendered, he's the man out in the world and she's in private, it's interesting because her brother, Aaron Director, was the same way. He was a very private man, very shy, very introverted, and he exerted this quiet intellectual influence on all of his friends. So I think that was just a family trait of being more quiet, preferring to be behind the scenes. It wouldn't have worked any other way because Friedman was so out there, so extroverted. And there's a bit of a sad thing she said, she said, "When I married Milton, I lost half of my conversations. When David came along, I lost the other half." So this is a household that was just dominated by male voices in which she didn't have a lot of room. What was tricky for me in my research is she didn't leave much of a trace. She put together Milton Friedman's archive and she took herself out of it. I really had trouble finding her actual voice in the historical documents, and she didn't want to leave that behind, so this absolute essential piece of his success. Because she's the one who pushed him to do the Newsweek column to do Free To Choose. And she really wrote Capitalism and Freedom. She took all his random notes and she put them together into a book. And that became this testimony of his ideas. But she shared many of his ideas and when I think of Friedman, if you take away Anna Schwartz, if you take away Rose Friedman, if you take away the other woman who collaborated with him, you have a much thinner resume than the one he actually has.

Lex Fridman

Yeah, it's always sad, and it always makes me wonder about the private, secret conversations between partners because they might not show up in the record, but they probably influence the person more than almost anything else, those quiet little conversations. If we can switch our path to another great mind of the 20th century, Ayn Rand, we talked about some of the similarities here, about them being fighters for freedom and fighters for capitalism. What is Ayn Rand's philosophy? If you can give a big 10 summary of objectivism?

Jennifer Burns

Yeah, so she called it objectivism. She used to do this thing, "I can stand on one foot and say it." It goes something like, "Epistemology, reason, ethics, selfishness, politics, capitalism." That was how she summarized it. So what she did, there's a couple of things she did with objectivism. First of all, she says the key defining element of humanity is rationalism, the

rational faculty. That's what defines what humanity is. Therefore, there is an objective reality that we can access and know with our reason. That's the objective epistemology. And the one social and economic system that lets rationality flower and is based upon rationality is capitalism. And then rationality only works in her view as an individual capacity and that rationality teaches that what you should do is pursue your interests. And so she ends up calling that selfishness. Now, it's tricky because selfishness has so many strong and negative connotations, and she meant I think something closer to self-actualization, because she really tried to create this idea and express the idea that to be truly selfish did not mean trampling on others. It meant just being motivated by your own internal measures and metrics. And so in her fiction, she tries to show this by showing the false selfishness of some of Peter Keating, who's an architect who steps over everybody to advance his career. And she says, "That's not true selfishness because true selfishness would recognize it's false to take others' work and pass it off as your own." Now, the other big piece of objectivism is a very approach that's really inspired and related to Friedrich Nietzsche's idea of revaluing values or a genealogy of morals. And so she says, "What's happened here is Western culture has converged on this idea of altruism as good. Being selfless and altruistic is good. And this has led us to communism and has led us to devalue the individual in favor of the collective. So what we need is a new moral code which elevates selfishness, which elevates the individual, and which takes all the things that we have been told are bad and actually says their values." This is what she's trying to do with objectivism. I mean, it is about as ambitious of an intellectual project as there can be, and that's what really draws people in. Yet at the same time, she's flying in the face of the way human morals and ethics and societies have evolved, and she's not able to single-handedly recreate them the way she wants them to be.

Lex Fridman

Yeah, I mean, she's not doing herself any favors by taking on the words and trying to rebrand them completely writing the virtue of selfishness. It's like, can we just call it a self-actualization?

Jennifer Burns

Yeah.

Lex Fridman

There's a negative connotation to selfishness and a positive connotation to altruism. So sometimes it seems it takes on the hardest possible form of argument.

Jennifer Burns

Yeah, I mean, she had a student who ended up being very close to her, Nathaniel Brandon, and he was the reverend advisor, and he said, "Can you please not use selfishness? Just come up with another word." But part of her liked it. Part of her wanted to provoke and unsettle. She didn't want to give that up.

Lex Fridman

I mean, people should listen to her public talks. Her whole aura, way of being is provocative, and she's a real powerhouse of an intellectual. So she loves the challenge and just listening to her in itself is just inspiring. You could see the individualism radiate from her.

Jennifer Burns

Yeah, I mean, that was one of the things I found in researching and writing about her. She's an incredibly unusual human being. That was her strength because she's so unusual, but it was also her downfall because she looked to herself as a model or to get insight about humanity, and she never quite processed how different she was from other people.

Lex Fridman

So just because we talked about Milton Friedman so much, can we just return to, what do you, given everything we've said, is the interesting difference about Ayn Rand, her ideas related to Milton Friedman?

Jennifer Burns

Yeah, I mean, broadly we could put Milton Friedman and Ayn Rand in some category together, but she has this focus on ethics and rationality and this desire to be revolutionary that's much stronger than Friedman. Friedman wanted to overthrow the economic consensus. He didn't want to overturn the moral basis of Western society. Also, she does something. So in one of Frank Knight's essays, he talks about the ethics of competition, and he says, "You basically cannot build an ethics out of competition because it would be monstrous to do so because it would say the winner of this competition is ethically right, and that would open the door to might makes right." And this is what Friedman struggles with. And he says, "I can't take capitalist outcomes as ethical unto themselves. I can't do it. It doesn't feel right." And there's this line where Frank Knight says, "No one would ever do this." And I was like, "Oh, Frank Knight, you haven't read Ayn Rand yet."

Lex Fridman

Hold me beer.

Jennifer Burns

You're a little too early. Because that's what she does, she takes the outcomes of capitalism and of market competition and says, "These have ethical meaning, and this is where ethical meaning inheres, and it is ethical to try to succeed and to succeed in a capitalist society." Now, what she's able to do is create a fictional world in which people succeed in her fictional capitalist world through ethical behavior. And so she doesn't really have to wrestle with a capitalist world in which people succeed through fraud and corruption and all the other things that might go into someone's success. She creates the best possible take on success under capitalism, and then she holds that up as an ideal. And I think what's important is that so few people have done that, and she comes at a time when everybody is

emphasizing a downsize of capitalism, and she says, "There's another way to look at it. Here are the good sides of capitalism."

Lex Fridman

And like you said, she was operating, which I really loved the phrasing of that, in the Mythic Register.

Jennifer Burns

Yeah.

Lex Fridman

So she was constructing these characters, these capitalists that are the highest form, these great heroic figures, almost romanticizing them.

Jennifer Burns

Yeah, yeah.

Lex Fridman

You mentioned *We the Living* is one of the books that you like of hers the most, but can we stay in the Mythic Register with the *Fountainhead* and *Atlas Rugged*? What are some memorable, inspiring moments, insightful moments from those books that may be scenes or ideas that you take away from them that are important for people to understand?

Jennifer Burns

Yeah, so the *Fountainhead* is this story of a struggling architect, Howard Rourke, and she follows his life and his career. And the message is, really, it's a version of to thine own self be true. And Rourke's designs are to avant garde, nobody appreciates him and he just keeps doing what he wants to do and is just focused on his own visions, his own genius. I think that's been really inspiring to creators of all types. I think it's fairly unrealistic as a portrait of human achievement, but it's an aspirational idea. I mean, one phrase that comes to mind is, there's a character, I forget which one, who is in some adversarial relationship with Howard Rourke and says something to him like, "Well, Mr. Rourke, what do you think of me?" And Rourke says, "I don't think of you." And that to Rand was the ideal. You're not thinking of other people. You're an island unto yourself. You're focused on your own goals, your own capacities, and you're not doing it to impress other people or to be better than other people or to dominate other people. You're doing it because expressing your inner soul in a way. So that has been very captivating to so many, and the *Fountainhead* is one of those books we talked about that causes, people read it and they make changes in their life or they feel called to their higher self.

Lex Fridman

And I think there's also the scene where Rourke with the Dean of Architecture at the school that's speaking to what you're saying, I think to me is inspiring. So this is the Dean of Architecture that expels Rourke, and then brings him into a meeting thinking Rourke will plead for a second chance. And the Dean says that, "Rourke's work is contrary to every principle we have tried to teach you, contrary to all established precedents and traditions of art. Do you mean to tell me that you're thinking seriously of building that way when and if you are an architect?" And then in a gangster-like way, Rourke says, "Yes." And then Dean asks, "My dear fellow, who will let you?" And Rourke replies, "That's not the point. The point is, who will stop me?"

Jennifer Burns

Yes. I mean, Rand's coming from communist Russia, but it has a bit of the don't mess with Texas flavor, I might say that really resonates with this idea of anyone who's felt like they're fighting the powers that be. Yeah, it's interesting. I thought you might be going to the quote where he says something like, "I inherit no tradition. I stand at the beginning of one." And I really think Rand's thinking about herself when she says that, that she inherits nothing. She stands at the start. But *The Fountainhead* comes out in the middle of World War Two, and Rand is an unknown writer. This is a strange book. It's a classic story. It's turned down by 12 publishers before one takes a chance on it. And Rand really loved this story. The editor who read it said, "This book is great." And his boss said no. And he said, "If you don't take this book, I'm quitting." And so she idolized him for doing that. So they print it and it becomes a bestseller just through word of mouth. So it's not advertised. It gets one good book review, but people tell each other how much they like this book. And it keeps printing and selling out printings. It's made into a movie. And so it lands in this time when Americans are engaged in this great collective endeavor of World War Two. They're making all kinds of sacrifices for the collective and I think, paradoxically, as they do that, they're drawn to this vision of someone who doesn't have to compromise at all, who is leading their life exactly as they want to. Meanwhile, they might be sleeping on an ocean liner because they've been drafted to fight in this war, and they're reading *The Fountainhead* and they're feeling better about themselves. And so it's also really interesting. *The Fountainhead* is hugely popular in India, which is fascinating, and talk to people about this and they basically say, "This book comes like a breath of fresh air into a very traditional and conformist culture. And people just latch onto it and they love it, and it gives them that feeling of freedom and possibility that they're hoping for."

Lex Fridman

Yeah, I mean, it really is a book, *Atlas Shrugged* can be a bit of that too, but it's more of the philosophy objectivism and the details and the nuance of that seeps into *Atlas Shrugged*. *The Fountainhead* is very much like a thing that makes you change the path of your life. I mean, that's beautiful to see that books can have that power.

Jennifer Burns

And Rand knew that she was doing that and she knew what she was doing. This wasn't an accident. And people say, "Oh, she's a bad writer. Oh, her characters are so heavy-handed." She started as a screenwriter. She started as someone who analyzed films for movie studios. She knew exactly how to manipulate plot and character and drama. And she also knew that she was writing, people say, "Oh, Rand is for adolescence, adolescent teenagers love Rand," and that's who she was writing for. And she said, "I'm writing for people as they start out on their life and they're thinking about who they want to be." So she's not writing for the weary middle aged. She's writing for the young who are looking for inspiration.

Lex Fridman

People say that to me sometimes about certain books like Rand, but also about *The Alchemist*. I know a lot of people for whom *The Alchemist*, and they're adults and they're brilliant people, *The Alchemist* changed their life. And the same can be said about *The Fountainhead*.

Jennifer Burns

Yeah.

Lex Fridman

And I sometimes get criticized for using words that are too simple. I think simple words can have power, and the cliché thing sometimes needs to be said. And sometimes it effectively needs to be said in an over the top way in the Mythic Register, because that's the thing that resonates with us. We are heroes of our own story and we need to hear that message sometimes to take the bold step, to take the risk, to take the leap.

Jennifer Burns

Yeah, and I mean the other thing, she knew she was doing propaganda in a way. She was like, "I'm doing pro-capitalist propaganda." She has a degree from the University of Leningrad. She was raised up in Soviet Russia. She said, "We need to present the case for the other side in the same way." And that's what she did.

Lex Fridman

Why do you think she's so divisive? People either love her or hate her.

Jennifer Burns

I mean, I think it's because of that purity that I'm willing to say, "You get what you deserve," and that lack of charity. And part of that in her work is because she creates this fictional work where she can set everything up just so, and so you don't have contingency or accident or bad luck. You don't really have a lot of children. You don't have handicapped people. You just have this idealized world. And I think it's really infuriating for people who feel that's so inaccurate. How can you be deriving a social theory and philosophy around

this? And how can you be missing, what seems to many people, she's missing the ethical instinct or the altruistic or charitable instinct? And so they just become enraged at that and they don't want to see anyone go that far. And they're outraged that someone went that far, that did the thing that Frank Knight said no one would do. It's very unsettling.

Lex Fridman

Would you say that's...

Jennifer Burns

Yeah, it's very unsettling.

Lex Fridman

Would you say that's her main blind spot, the main flaw of objectivism is just how black and white it paints the world? If not, what would you say are the flaws of objectivism?

Jennifer Burns

The big flaw is that it's justified through a fictional world. It's not justified through reference to the real world. It's not empirical in a way. It's not... Rand herself would say this. She's not writing about things how they are, but how they should be. That idealism just really undermines it as a mechanism to understand where we're actually living.

Lex Fridman

That is a big contrast with Milton Friedman, who would focus on how things are versus how things should be.

Jennifer Burns

Then I think it's the problem of elevating rationality or any other mode of insight or thinking. What happens in Rand's life, I describe this in some detail in the book, is she essentially creates a cult of reason around her and people who are drawn into this cult... It's called The Collective. It's a group of young people in New York City who are drawn to her work. She's already famous, but she's writing Atlas Shrugged. She's sharing drafts of Atlas Shrugged as she goes along. And one of the members of The Collective, to bring all of this together, is Alan Greenspan, later be head of the Federal Reserve. And he's incredibly taken with her. He's one of these people who says, "I was a narrow technical thinker. I never thought about ethics or politics or anything bigger until I met Ayn Rand. She really opened my mind." He's part of this tight-knit group. In this tight-knit group, they think of themselves, "We are all individualists. We're dedicated to individualism and capitalism. We're different than everybody else." Over time, they all come to share Ayn Rand's views and opinions on everything, from music to art, to clothes. She gets a dining room table and a bunch of them get the same dining room table, and it becomes incredibly conformist, because they've all believed they're acting rationally. And they believe that to act rationally is to agree with Ayn Rand and they believe there's no other way to make decisions than rationality. To disagree

with her is to be irrational. They don't want to be irrational. People get really caught up in this very damaging cult-like circle around her.

Lex Fridman

Plus, for a cult of reason, they get awfully emotional when there's any disagreement with Ayn Rand.

Jennifer Burns

Yeah.

Lex Fridman

It's hilarious. It's absurd. It's also beautiful to watch this singular figure. We've talked about several singular figures, like Frank Wright, that shakes up the world with her ideas.

Jennifer Burns

Yeah.

Lex Fridman

Of course, it would form a cult. And, of course, that cult would be full of contradictions and hypocrisies.

Jennifer Burns

Yeah, it's amazing. Murray Rothbard is a famous anarchist, falls into the Ayn Rand cult. Then he disagrees and there's some type of show trial where he's told he's wrong about everything. Then he has a little pseudo cult of his own, and two of his cult members switch over to Ayn Rand. Then one of them, to gesture their breaking of the relationship, mails him a dollar bill that's been torn in half. This is high theatrics, right?

Lex Fridman

Okay, sticking on the drama and the theatrics, who was Nathaniel Branden?

Jennifer Burns

Oh yes.

Lex Fridman

Can you take me through the arc of Ayn Rand's relationship with Nathaniel Branden to their dramatic falling out in 1968?

Jennifer Burns

Yes, after *The Fountainhead*, *The Fountainhead* is auctioned is sold to be a film. Ayn Rand moves to Hollywood where she's going to help in the writing of the film. She wants a lot of creative control and she's also still working in screenwriting and things like this. She gets a

letter from... There's a Canadian student who's written to her several times, and then he writes again and he says, "I'm at UCLA." And she's like, "Young man, you're so full of error. Why don't you come visit me and I'll straighten you out." So he comes and they have this real meeting of the minds. They talk all night. He comes again, he brings his girlfriend, she loves him, and they start this very intense relationship of spending every weekend at her house, basically. Staying up all night, talking about ideas. He becomes completely converted to the objectivist worldview. Rand begins counseling him and his girlfriend about their relationship, very intense thing. Then eventually they graduate from college and they both enroll in a graduate program in Columbia and they leave. After they've left, Ayn Rand is just bereft. And within a few months she packs up her home and she moves to New York. "Here I am. I like New York better." That becomes the seedbed of The Collective. The Brandens, they get married. They change their name to Branden. They've never publicly spoken on this, but many people have pointed out it has the word Rand in the name. It's some type of acknowledgement of how important she is to them. Time goes on, and romantic feelings develop between Ayn Rand and Nathaniel Branden, who's some 20 years her junior. They discuss them and they realize that rationality has led them to the conclusion that they should be lovers.

Lex Fridman

Right.

Jennifer Burns

Right. They rationally decided this, but because they're rational they need the consent or at least to inform their partners.

Lex Fridman

They're both married?

Jennifer Burns

They're both married. They call a meeting and they obtain the consent or maybe simply inform the others of the rationality of the choice. Then they say, "But this is only going to be an intellectual relationship, but we'd like a few hours alone each week and we don't want to be deceptive, so we want you to know and approve of this." The spouses bought into rationality, no one approve. One thing leads to another. It becomes a full romantic and sexual relationship. Although it's open within these four people, it is not open more broadly. In all these meetings of The Collective, Alan Greenspan, all these other people coming up, drinking coffee all night, talking, talking. They all know that Nathaniel Branden is objectivist number one. They don't know that there's a romantic and sexual relationship happening. It's kept a secret. Then when Atlas Shrugged comes out, it's panned by reviewers. People absolutely hate this book. And Rand is not Howard Roark. She falls into a deep depression because her masterpiece has been rejected. Then the romantic relationship ends, but the close personal relationship continues. And then over time Branden, who's still married to his

wife, begins an affair with another young woman. At this point he has started the Nathaniel Branden Institute to teach objectivism. He's making good money. He's becoming quite famous.

Lex Fridman

She supported the institute?

Jennifer Burns

She supported it. And at first it was to help her in her depression. He said, "The world needs to recognize your genius. They missed Atlas Shrugged, but I'm going to teach them. I'll bring the message." And it's very successful. It becomes its own business. It has a newsletter. It's a whole world. That small cult around Ayn Rand expands to this whole social network, and it's very much a piece with this burgeoning conservative movement. Objectivists are involved in criticizing the draft. There's kind of a libertarian objectivist world going on. All of this is happening. In the meantime, Nathaniel Branden has found a new partner, but he doesn't tell Ayn Rand this because he knows she'll be upset. It goes on for years. Ayn Rand knows something is going on, but she can't quite figure it out. And finally, Barbara, Branden says to Nathaniel Branden, "You know, you have to tell her. This has just gone on too long." She finds out and the whole thing blows up, and she exiles him and she breaks off contact with him. And nobody has ever told what happens. It's called the [inaudible 02:58:23]. Objectivism breaks in two, because some people say, "How could Ayn Rand do anything wrong?" And other people say, "What is this letter all about? And what did Nathaniel Branden do? I'm not just going to take her word for it. I need more information." Then a bunch of people read all the accounts of this. A bunch of people are like, "Okay, they were having an affair." And a bunch of other people are like, "No, that couldn't possibly be happening." The whole thing breaks up. But what I argue in my book is actually this is to the benefit of Rand's ideas, because Rand herself was so controlling over her ideas. And now that she steps back from a public role, objectivism flows into the student libertarian movement. Some objectivists become conservatives. It just spreads out more generally, and you don't have to drink the Kool-Aid. You don't have to take the official course. Nathaniel Branden goes on to be part of the self-esteem movement, Human Potential Movement, California and Ayn Rand lives another 10 years or so, but she doesn't do major work after that.

Lex Fridman

Since we were talking about some of the all... Although rationalized some strange sexual partnerships that their engagement in, I have to ask about The Fountainhead and the, quote, unquote, "Rape scene." In the Fountainhead. Was she intending to add that there to be controversial? How we're supposed to read into it? Is it a glimpse into Ayn Rand's sexuality? Maybe broadly we can say, "Well, what was her view on sexuality, on sex, on power dynamics in relationships?"

Jennifer Burns

Yeah, there's also an objectivist theory of sexuality in that probably the least convincing of all the parts of objectivism. And it goes something like, "Your sexual desires express your highest values." And they are related in some ways to your rationality, right? Which is also related to your highest values. So for her that explained her attraction to Nathaniel Branden and Nathaniel Branden's attraction to her was a function of their highest values. And, in fact, Branden imbibed this so deeply that the fact that he was later drawn sexually to a woman who was not particularly accomplished, but was beautiful, caused him deep anguish and guilt for being non-objectivist. This is the objectivist theory. Then the gender politics are just crazy. We have to back up and think, "Okay, who is Ayn Rand." She's born Alisa Rosenbaum in Russia. She is someone who stands out from the crowd from the beginning. She never really fits in. She's not conventionally beautiful by any stretch of the imagination. She struggles with her weight and she doesn't consider herself to have a beautiful face. She's very independent. She meets none of the metrics of traditional femininity at all. She finds love with a man who is very handsome but very passive. Yet she writes in all her fiction about strong manly heroes. There seems to be like a projection. The man she's actually with is not a strong manly hero. The hero she writes about, she probably wouldn't be able to be in the same room with them for more than one minute before they got in a raging argument, right? Then she develops this theory about women and men in that a woman should worship her man, and a woman finds her true expression in worshiping the man she's with. Again, this is not at all how Ayn Rand lives her life. This is like this. I would say compensatory theory for her lack of ability to conform to the gender norms of her day. She then articulates them in a very strong and almost distorted and exaggerated way to compensate for the fact that she doesn't actually meet them, can't actually enact them. The rape scene to some degree embodies that idea that to some degree that the woman should worship the man. I tend to read it more in terms of literary genre. Rand is a screenwriter, a consumer of movies, and that rape scene is paradigmatic for the romance genre. In other words, these are like pulpy romance novels. The hero rapes the heroine and then they fall in love. That's just the trope of how it works. It's crazy when you read it, but if you were reading a bunch of novels in this genre, you would find this is very standard. But that is a huge part of this appeal at the time. There's this feminist who hates Rand, Susan Brownmiller, and she wants to write an angry denunciation of the rape scene. So she goes to get *The Fountainhead* and she's wondering how is she ever going to find the scene in this 800 page book? It's a library copy because she doesn't want to buy it, and it just falls open to the rape scene because everybody's gone and read it because it's very racy and explicit for that time. I'm almost positive she also knew that like, "If I put in this kind of taboo-breaking sex scene, that's also going to probably be why people tell their friends about it." I think it's a mess. I think all of the gender and sexuality stuff that she states is just a total mess.

Lex Fridman

I think it also reminds me of another guy related, Friedrich Nietzsche, who had very strong opinions on women and wrote about what women's role in society should be in different

power dynamics and relationships and all that kind of stuff when he himself really had trouble getting laid. You have to as to always maybe chuckle or take with a grain of salt the analysis of power dynamics in relationship from these figures which failed in many regards in their own private life. You mentioned feminists. Would you consider Ayn Rand a feminist?

Jennifer Burns

She's almost an anti-feminist because she then goes on... Someone writes her a letter about like, "Should there be a female president?" Or something. This is the beginning of feminism. And she says, "No woman should ever be president because if she's president, she wouldn't be able to look up to any man because she would be so powerful, and therefore she would be corrupt and rotten in the soul and unfit to be a leader." It just makes no sense.

Lex Fridman

But that said, she's a woman and she's one of the most powerful intellects in the 20th century.

Jennifer Burns

Yeah.

Lex Fridman

The contradictions... Nietzsche's full of contradictions of this sort. The very fact that she's one of the most powerful minds in history, to me, means that she is a feminist in the spirit she embodies, right? In what she represents.

Jennifer Burns

She lived the ideals of individualism in her life and set aside gender norms in her own life, but she did not see herself as doing this for the benefit of other women or to change society's views about women. There was no collective essence to it. If feminism has some sort of collective aspect to it, or at least some identification, one needs to identify with a broader category of women and feel they're acting on behalf of that, she's definitely not doing that. She was fair to women in her life, promoted them in her life, but did not... She was very negative about feminism, because they dressed terribly. Then the other thing, it's really interesting, there's all these kind of homoerotic themes in her writing. For that reason, many gay men were drawn to her writing, and then she would say like, "Homosexuals are dirty, terrible people." She would denounce people for being homosexual. There's a whole actual literature of gay men wrestling with Rand and what she says about gay people. Yeah, it's hard to make sense of. I want to be charitable. I just think of the enormous pressure she was under in the culture she was raised in, the expectations that were placed upon her, and her just utter inability to meet any of them. And it came out in this very tortured set of ideals that she tried to promote. And this lack of ability was probably too painful to introspect and to think about that. So she just tried to rationalize her way through it, and it came out in these very strange theories.

Lex Fridman

Why do you think that Ayn Rand is... Maybe you can correct me, but as far as I can see, never mentioned in the list of great thinkers in history or even the great thinkers of the 20th century or even the great female thinkers of the 20th century. You have somebody like Simone de Beauvoir, Hannah Arendt. I almost never see her in the list.

Jennifer Burns

Yeah.

Lex Fridman

If you Google those silly list whatever top thinkers of the 20th century, she's not mentioned. Why is that?

Jennifer Burns

A lot of people just deeply dislike Rand. They deeply dislike her ideas. They don't think they're profound because their disconnection from other ideas and other understandings of human society. I think [inaudible 03:08:06] you could look at them and say, "These ideas are very provocative and they're very deep because she's not taking anything for granted, and she's flipping everything around and forcing you to really think." To a lot of other readers, to her critics, they just look absurd. How could you even make these contentions? And I think that because she... She's not without precedence and she's not without followers, but she doesn't knit herself into an intellectual community the way that these other thinkers do very naturally. You can see who they influence. You can see who they're in dialogue with. I think my book was one of the first to really take Rand and say, "She's a figure in American history. Here's who she's connected to. Here's who she's influenced." And I got a lot of pushback for that. I think now people are more open to it, but I think the people who compile these lists really dislike her work and they think it's shallow because they find her fiction overdrawn. They find her work, in the mythic register, simple. And she's also a grand systematic thinker in an age that's over systems. She's almost creating an inverse Marxism, right? Marx was writing in 1848. He's not a thinker of the mid 20th century. I think that's part of it, the lack of a legacy and the dislike of what she had to say, and the feeling that she's too detached. Her insights are not insights because they're too idealized rather than being rooted in a theory of human nature that people find plausible.

Lex Fridman

You study and write about history of ideas in the United States over the past 100 plus years. How do you think ideas evolve and gain power over the populace, over our government, over culture, just looking at evolution of ideas as they dance and challenge each other and play in public discourse? What do you think is the mechanism by which they take hold and have influence?

Jennifer Burns

Yeah, there's a couple different ways, I think, it happens. I really am interested in the relationship between the thinker and then the reader and the interpreter of the ideas, and then the conditions on the ground that make that idea resonate or not resonate. I think a lot. As an intellectual historian, I'm studying the ideas. I'm always putting them in their historical context like, "What is happening that is making these things resonate? That is making them... People seek them out. For Rand's case, she has this credibility because of her experience of communism. She's one of these defining moments of the time. Then I think the idea comes out in a pure form, and then other people rework it and reshape it as they read it. And I'm really interested in how people form communities around these ideas. A bunch of people started calling themselves objectivists and getting together to read Rand's work. That was spontaneous and ground up. It wasn't supported by any money. Nobody planned it. It just happened. Friedman's a different case in that he joins an established tradition of thought that's been institutionalized in universities. So people are signing up and paying money and getting credential to learn these ideas. To my mind, these are two different ways but really emblematic ways of how ideas spread. Rand, I think of as more bottom up. People encounter the idea in a book. They're blown away by it, or they imbibe it without even realizing they're imbibing it, and then they're like, "Well, maybe I don't like Franklin Roosevelt so much." Or, "Maybe I'll look at another time at Barry Goldwater." Then whereas Friedman, you get the idea more top down. I know I'm getting the idea. I know I'm being positioned within a elite discourse of economics. I think they go top-down and bottom-up, and then they hit the events, right? Friedman's ideas wouldn't have gone anywhere without that episode of stagflation that really made people think they proved out. And I think Rand's ideas really caught fire in Cold War America, that's looking for a statement of like, "What does it mean to be an individual? What does it mean to live in this mass society?" Because it's also a time of great social conformity, where people are suddenly... They're working for large corporations. They've been served in a large military. The United States is stepping out onto the world stage. Everything is bigger. What does it mean to be an individual in that world? That's where Rand's ideas catch fire. I think a lot about that. About how they trickle through different levels of society, and then how ideas collide with experience I think is critical.

Lex Fridman

What do you think about when they actually take power in government? I think about ideas like Marxism and how that evolves into the Bolshevik Revolution and how that takes hold in its implementations. Or you can think about Nazism and with Hitler where it goes from a small number of people that get real excited about a thing and then somehow just becomes viral and takes hold in power, and then that has its consequences.

Jennifer Burns

When I think about this sort of historical path of communism and the logics and dynamics of communism, in many ways it has some echoes with Rand in that the ideology in its purest

form is almost... It's a rationalist ideology of some ways. It's an analysis of history and how things are supposed to be. I think you mentioned Hannah Arendt. I think she is one of the most penetrating analyses of communism, which she really puts in category, like it's a logical ideology. Logic leads inexorably to its conclusions, and then experience crops up and experience is different. And what does a cult of rationality do when it hits experience? Well, it tries to bend experience to its will. That, I think, is really the story of communism writ large. The question though is why does it catch fire? Why does it draw people into political allegiance? I think in the case of communism, it's this dream of a more ethical world, dream of equality, dream of the powerless rising up against the powerful. That's drawn in so many. Then you had the whole edition of Leninism, which gave a international cast to that and helped people think about what are the relations between poorer and richer countries and what can we expect out of them and what might happen. Gave us a framework for thinking about that in a time when the world was becoming more interconnected and those differences were becoming more obvious. Fascism to me is unleashing more something dark and primal within people, and it's more a permission structure to indulge in that that is normally not there. Those impulses are normally channeled or held down, and it seems that when the fascist regimes come into power, they give people permission to let those forces out.

Lex Fridman

I think on communism, going back to that lecture that Ayn Rand gave, I think what rings true to me a little bit is that what fuels it is a kind of... Maybe not resentment, but envy towards the have-nots versus the haves. And there's some degree to wish Nazism has the same envy towards some group, resentment towards some group. Given the environment of hard times, hard economic times, combined with a more primal, just envy of not having and seeing somebody who has it and just constructing a narrative around that. That can become a real viral idea.

Jennifer Burns

Yeah, it seems like communism is more animated by this idea of injustice. The world is unjust. It should be different. And fascism seems like the process of scapegoating, right? We've identified the source of the problem, and it's this group and they need to be punished for what they've done to the rest of us.

Lex Fridman

There is a primal thing going back to literature in 1984, Two Minutes of Hate, where you can get everybody real excited about hating a thing. There's something primal about us humans where once you're in that state of hate, anyone can direct that hate towards anything. Towards any group, towards any idea, towards anything. We could get caught up in the mass hysteria of the hatred. It's a dangerous thing. You floated the idea, I forget where, of pivoting for your next book towards maybe writing about postmodernism, which is a set of ideas

almost the opposite of Ayn Rand's philosophy. Can you maybe explain your curiosity about, first of all, spaces of ideas, but maybe postmodernism?

Jennifer Burns

Yeah, I think in the broadest sense, what I'm interested in, kind of two dimensions, that guide me in doing intellectual history. One is what I talked about, like how does an idea go from a book, an elite space, out to more popular dimensions? How does that happen? What happens to the idea along the way? How is it distorted or changed? And the other is just search for meaning in a post-Christian era or a secular era. Like, "What are people coming up with?" And I think to replace that void in their religious or spiritual lives, I think both Rand and Friedman offered these alternatives, right? Objectivism, quasi-rationalist religion. People take economics as a theory of the world that you can almost believe in it, right? It can almost take that place. And in both cases, how did those ideas travel? When I think about postmodernism, it first struck me... If you read the original postmodern thinkers, it's really tough going. I make my students do it, and they suffer. I think they see it's worthwhile, but it's no fun to read Derrida. But somehow it's trickled down into how do we go from Derrida to Tumblr? And I realized like, "Oh, this has happened with postmodernism." It's followed the same path, say, from Milton Friedman's economic theory to free to choose on YouTube. We've had a similar path of high French theory down to Tumblr, and I sexually identify as an attack helicopter or whatever it may be. That was really interesting. Then I also thought, "Well..." At the same time, this is clearly a structure of meaning. And I actually think it's followed the same path of objectivism, which is distilled down and then turning into its opposite. So if objectivism was a group of people who considered themselves individualists, who ended up deeply conforming to the dictates of a charismatic leader. Postmodernism started about disrupting binaries. We're going to be fluid. We're going to go beyond the border. We're going to disrupt the binary. And it's devolved in its popular forms to the re-inscribing of many different binaries. Oppressor and oppressed has become this paradigmatic set of glasses you put on to understand the world. I think the dynamics are very, very similar. I think it's something in the traffic of the idea from its pure form to its popular form, and then how it gets politicized or mobilized in different ways. And behind it all, I think, is this human longing for meaning and the inadequacy of the traditional ways that need was met at this point in time.

Lex Fridman

By the way, going from pure form to popular form, I remember... This might be before the internet, but when I was in college reading Derrida and Foucault, not knowing context at all, it wasn't interesting. All right. I'm able to read pure encapsulations of an idea and just like, "Oh, all right, well that person believes that." And you just hold it. But if you actually take the pure form of that idea and then it creates a community around it, you realize what that actually becomes and you're like, "Oh, yeah no. I don't..." That's not... Although I do consider myself sexually an attack helicopter, that identify sexually. That's beautiful. Okay, your

process of researching for, let's see, the biographies of Milton Friedman and Ayn Rand seems like an insane amount of work.

Jennifer Burns

Yeah.

Lex Fridman

You did incredible work there, going to the original sources... Can you maybe speak to that? What is required to persevere and to go for so many years, to go so deep to the sources?

Jennifer Burns

Yeah, I go to the archive. That's where I feel like I'm communing with the dead in some ways. I'm seeing what they saw in some ways and reading what they felt. I tell my doctoral students, "It's got to be something that gets you out of bed in the morning, because there comes a point in your doctoral career when there's nowhere to go. There's nowhere to be. You got to be getting up because you're interested in what you want to study." And so with Rand, it was this real sense of discovery. I am discovering. I want to know about this woman. I want to know where she fits. And the only way to find out is to do the research. Yeah, I like to go deep. It's really interesting to me. And I should say in both of these cases, I've done it in an institutional structure. I don't know that I would do it independently. The first was a graduate program in history, was at UC Berkeley. I had coursework. Then I had structures, and I did have people to check in with and read, but I had a great deal of latitude. I'm very grateful for... People are like, "You wrote a dissertation on Ayn Rand at Berkeley?" I'm like, "Yeah, hell, I did." Berkeley's like... It's a great place. At the time I was there, there was absolute room for free inquiry.

Lex Fridman

Oh, can you just linger on that? When you said that you're doing that and doing a dissertation on Ayn Rand, was there... Did people get upset?

Jennifer Burns

No. I did have a friendly critic who took it upon himself to throw at me everything he thought the outside world would throw at me. I think maybe 5 or 10 years earlier, it wouldn't have been possible. But the most important thing I had to... The person I really had to convince this was worth doing was myself, because I knew it was an unconventional choice for the field and for a dissertation. But once I convinced myself, I just said, "Well, I'm going to do this and see." And because it was unconventional, it ended up standing out. And it really was the time... I started it during second Bush administration, George W. Bush, second term. People were interested in just conservatism in general. No matter where they stood on the political spectrum, felt like objectively we don't know enough about this and this is a problem, so they were open to learning more. I really caught that wave in scholarship and caught that wave in American culture where people wanted to know more.

Lex Fridman

We should probably say that Ayn Rand at the very- Probably say that. Ayn Rand is, at the very least, as you've mentioned, a kind of gateway to conservatism.

Jennifer Burns

Yes. I called her the gateway drug in that people start with Rand. They're taken by her. In some ways, she takes the worldview of Milton Friedman in terms of what capitalism can accomplish economically. And then she puts it in this mythopoetic register, and she fictionalizes it. So once people have absorbed that, they want more. They go on to learning more of the ideas behind that vision, or they have become true believers. They've converted. And so then they head off to work for a politician, to work for a think tank, to work for a party. It's absolute traffic. Now, not everyone. There's plenty of people who read Ayn Rand who don't take the politics in. It's a nice story. It's interesting, just an episode in their life. But for others, it's really foundational. It really changes them. So those were the people I wanted to track very deliberately. I wasn't trying to do in the round everything about Ayn Rand. I was like Ayn Rand and the American Right, Goddess of the Market. Ayn Rand and the American Right is the title. So where did they take her, those who took her in this political direction? What difference did she make?

Lex Fridman

If we return to the actual your process, so you're showing up, you're reading sources. And you're like, "Is it like the process of discovery?" You're just taking it all in and seeing what unifying ideas emerge, or maybe special moments that illustrate an idea emerge?

Jennifer Burns

Yeah. I know with the biography of a person, I am already given a start and an end date and a rough narrative of what happens. So I have a structure. And then, both with Rand and Friedman, I started by reading their major books before I really read anything about them because I wanted my own experience of the material to be fresh. And I had read some Ayn Rand, but not a lot. Similarly, I had read some Friedman, but not a lot. So I first is like, "Let me read the major stuff, get oriented," and then just dive into the archive and see what's there. Who are they talking to? What's going on? in Rand's case, I was interested in her in the United States, not her in Russia. I didn't have the language skills to do that. So I start her in the United States, and I start when she publishes her first book, and she starts getting letters. And who is she writing to? Who's writing to her? And then I start to uncover this world of nascent conservatism. And I'm putting that together. And once I have enough, I say, "Well, that's a chapter." I'm going to cover that chapter. And then there's going to be the book has come out. And so now, I need to start a different chapter. What's her life after the book has been published? And then I look for that. Although I have this very high level structure, it's coming out of the archive, the material I'm finding. And if I'm not finding the material there, I won't cover it in great detail, or if I've decided it's outside my ambit, I'm not going to go into great depth on it.

Lex Fridman

And you're trying to understand the relationships. It's so fascinating, like reconstruct in a dark room, trying to reconstruct, shine a light on relationships through reading letters. It's interesting.

Jennifer Burns

Yeah. Yeah. Correspondence is really, really helpful, drafts, correspondence. And someone this famous, they have oral histories. Other people write about them. So you're reading all these different things and triangulating and trying to put them together and then think about how do I present this in a compelling story, and what do I need to explain? And then also for me, what was really helpful is that because I teach and I am explaining the broad sweep of 20th century history, so I know that Rand's involved in a labor action at Warner Brothers, but through my teaching, I realized, "Oh, yes, this is a moment of labor strikes across the country." And so then that really changes the origin story of *Atlas Shrugged* because she's looking at labor actions, and she originally thinking of the book as being called *The Strike*. So she's really responding in real time and being inspired by what's happening in the mid-1940s in the United States. So then I can take that and run with that and figure out where to go.

Lex Fridman

So you're super passionate about teaching. You mentioned Milton Friedman had a very interesting way of teaching. So how do you think of teaching, teaching history, teaching history of ideas, teaching bright young minds about the past?

Jennifer Burns

Yeah. It's great. It's really inspiring the ways the old school dominating way in which Friedman taught would not fly in today's university wouldn't be permitted. And also, the students wouldn't respond to it. So I try to share my enthusiasm. I think that's almost the number one thing I bring, is my enthusiasm. Look how neat and interesting these ideas are. I try to keep my own views out pretty much. I try to give the fairest possible rendition I can of each thinker. If I find someone really disturbing, I might side bar at the end of the lecture and say, "I find this unsettling, and this tells me something about myself." But most of the time, I'm bringing people into the biography of a great thinker, the context of them. And then, in the lecture, we'll literally read the work together, and we'll talk about it. And I'll ask the students, "What are you finding here? What's jumping out at you?" Kind of breaking down the language and really teaching them how to do deep reading. So I feel like that is my contribution right now. We're having trouble reading collectively. We're having trouble paying attention collectively, and I'm trying to cultivate their skills to doing that and showing them how I do it, and also modeling like, "This is how I would read a text. This is what jumps out to me when I look at Thomas Kuhn or something like this," and just show them that studying a history of ideas is really fun. I feel incredibly privileged to do it. And the other thing is, I think this is the time for students in college figuring out who they are. Their minds

are developing and growing. They can really handle complicated hard ideas. They don't always have the context behind them. So I need to give them the hard ideas and then show them this is kind of the context of what's happening in the world. But really, I'm showing them the landscape. I don't have time to go deep. We have a 10-week quarter giving them a flyover. And then I want them to know how to go deep and know where they want to go deep.

Lex Fridman

Do the thing that Milton Friedman did, which is in parallel, [inaudible 03:30:39] books.

Jennifer Burns

Yes. Do their own parallel curriculum. Exactly. Exactly.

Lex Fridman

What advice would you give in terms of reading about ideas you agree with and reading ideas do you disagree with?

Jennifer Burns

Even though I think the passion is important for the teaching of the ideas, like this passion is more important for the reading and understanding of them. So a lot of people have said to me, "I could never write about Ayn Rand. She makes me so angry." I don't get angry reading her. I am like, "Oh, there you go again," or, "Well, that's going to cause trouble." And so I guess I'm approaching it with this sort of charity, but also with, I don't have huge expectations. I'm not expecting to have the light shine on me. I'm not expecting to agree. I'm like, "I can be very clinical about it." So that's worked for me. It might not work for others. And then, I just try to find the humor in it. How funny is it, these different aspects of them? When teaching my students about Oliver Wendell Holmes, his dad wrote a poem about him. He called him the astronaut about how he came from outer space. He seemed like he came from outer space. I'm like, "This is his dad's view of his son." That's how weird of a guy he was. And so I try to find that, keep alert for those funny kind of human touches that these are ultimately just people, people with ideas that they spent enough time polishing up and developing that we still want to read about them 100 years later.

Lex Fridman

What about the dramatic formulation of that same question? Do you think there's some ideas that are good and some of that are evil? Do you think we can draw such lines or is it more complicated like the old soul genius in line between good and evil that runs to the heart of every person?

Jennifer Burns

I philosophically agree with Solzhenitsyn, for sure. I do think some ideas pull on the good side and some ideas pull on the bad side, absolutely. And I think that's probably why people dislike Rand so much, is they feel like she's giving license to the bad side, and she's saying,

"It's okay to be selfish, and it's okay..." They feel like she's the dark forces. And in some cases, that may be true, but she's also unloosing some of the light forces in terms of reflecting on yourself and trying to be true. But definitely, there are ideas that are dangerous to play with. And there are ideas that I think give license to the darker sides of human nature. But I think you can see that in the historical record. So I think that it's possible to show that. And obviously, there's some places like Germany. They think the ideas are so dangerous, they can't be allowed to circulate. And in some contexts, that may absolutely be true.

Lex Fridman

And then still even that, we should take with a grain of salt because perhaps censorship of an idea is more dangerous than an idea. So all of that, that's the beautiful thing about us humans. We are always at tension trying to figure out what ideas are the ones that are going to help humanity flourish. Pothead question, do humans have ideas or do ideas have us? So where do ideas come from? You have Milton Friedman sitting there after Rutger's trying to figure out what he can do about the Great Depression. Do you ever think about this? I sometimes think aliens are actually ideas. They're just kind of travel through human brains and captivate us. And we get all real excited with the monolith in 2001 Space Odyssey, a monolith lands, and everybody gets excited. And somehow this idea just gets everybody to be on the same page, and it reverberates through the community, and then that results in an implementation of some action that results in us figuring out that that idea was actually bad, and we learn new ideas. But it feels like the idea is right in the show.

Jennifer Burns

Yeah. I think in a lot of cases, I think it's true. Keynes has this famous quote like, "Most men are slaves of some defunct economist."

Lex Fridman

That's funny. That's funny.

Jennifer Burns

So I do think it's really hard to have an original thought. We are social creatures. We encounter the same situations again and again. And so it's really hard. You're born into these traditions of thinking and being and knowing. And most people are never going to question them, and most people are never going to become aware of them. So again, that's some of the work of what I do as an intellectual historian. It's like, "Let's become aware. Let's realize that you're carrying a map that's orienting you to the world in a certain way." And so I think you have to work really, really hard to have an original idea. And even then, it's not a completely original idea. It's a reworking and a reassembling of ideas others have had. So I definitely think it's possible to create autonomy in the realm of ideas and to be an autonomous consumer of ideas. But I think, on balance, most people are not. And that's fine. They want to have experiences. They want to do other things with their life.

Lex Fridman

Well, Jennifer, thank you so much for this journey through ideas today, and thank you so much for your incredible work. It was really fun and fascinating to talk with you today. Thank you,

Jennifer Burns

Thank you.

Lex Fridman

Thank you for listening to this conversation with Jennifer Burns. And now, let me try to reflect on and articulate some things I've been thinking about. If you'd like to submit questions or topics that I can comment on in this way here at the end of episodes, go to lexfridman.com/ama, or contact me for whatever other reason at lexfridman.com/contact. Please allow me to say a few words about my interview with the president of Ukraine, Volodymyr Zelenskyy, now that a few days have passed and I've had the chance to think about the conversation itself, the response, future upcoming conversations, and what it all means for the war in Ukraine, for global geopolitics, and for us humans in general. I've gotten a lot of heartfelt positive words from all sides, including, at least so far, literally everybody who knows me personally inside Ukraine, which includes a lot of soldiers and many high profile figures, some who are supportive of the president, and some who are critical of him. Literally, all private communication has been positive and supportive. This is usually not the case with me. Friends usually will write to me to criticize and to disagree. That's the whole point of friendship, to argue and have fun doing it. There was none of that here, at least so far. So thank you for your support and kind words. It means the world. The most common message was, please keep pushing for peace. I will. But online on the interwebs, I saw a lot of attacks sometimes from swarms of online accounts which, of course, makes me suspicious about the origin of those attacks. One of my friends in Ukraine, who by the way thinks the attacks are all propped out by Ukrainian bot farms, said, "There's no need to say anything extra. Let the interview stand on its own. Just keep focused on the mission of pushing for peace." Basically, he's a Ukrainian version of my other friend, Joe Rogan, who to this day says, "Don't read the comments." This is generally good advice and I try to follow it. But I'm also human being. I wear my heart on my sleeve. And this interview, this war for me is deeply personal. And the level of vitriol, misrepresentation, and lies about the conversation and about me personally was particularly intense and disingenuous. So I thought I would use this opportunity to say a few words, just speak a bit more about how I approach this conversation with President Zelenskyy and conversations in general. This interview is something I poured my heart and soul into preparing a lot. I've described parts of the preparation process I follow in the outro to the Zelenskyy conversation. But in general, let me say that I've read a lot, listened to a lot, and had a lot of private conversations with people on the ground. I have many flaws. But being unprepared for this conversation is not one of them. Two low effort attacks got to me a bit, if I'm being honest though I am learning to take it all in stride. First attack is that I'm unprepared,

uninformed or naive. I don't give a damn about the trolls, but I want people who listen to me, who support me, who care about my words, to know that this is not the case. It never will be the case for future conversations, especially ones of this importance. I work extremely hard to prepare. Second low effort attack that got to me a bit is that I'm a shill for Zelenskyy or a shill for Putin. Both accusations were hurled readily and freely by the online mob of all persuasions by the left and the right in the United States and Europe by the pro and the anti-Zelenskyy people in Ukraine or of Ukrainian origins and by the pro and anti-Putin people in Russia or of Russian origins. As I've said over and over, this is not the case. I will never be the case. I'm a shill for no one. More than that, I just simply refuse to be caught in any one single echo chamber. It's an ongoing battle of course, because social media algorithms and the various dogmatic groups and tribes out there want to pull you in to their warm embrace of belonging. And humans want to belong. But the cost of the path I have chosen is that I will never belong to any one group. In the end, like many of us must, I walk alone. And I try to do my best to do what is right to my independent heart and mind, not what is popular with any one group. My goals for this conversation were twofold. First, give a large platform to President Zelenskyy to explain his perspective on the war and to do so in a way that brings out the best in who he is as a leader and human being. Second goal was to push for peace, and to give him every opportunity possible to signal that he's ready to make peace, and to provide his vision for what that might look like. And just to be clear, by peace, I mean long-lasting peace that minimizes suffering of people in the region and maximizes the flourishing of humanity in the coming decades. The war in Ukraine has led to over one million casualties and growing every single day. For some people torn apart by loss, tormented, and forced into a state of anger and hate, peace is a dirty word. To them, nothing less than justice must be accepted. I hear this pain. I've seen the bodies and the suffering. It's true. Peace will not bring back your loved ones. But it'll prevent further slaughter of more people, each of whom are someone else's loved ones. So again, the second goal of this conversation was to push for this kind of peace. So how did I approach it? Every conversation is its own puzzle. So let me try to explain my approach for this one. As I've said, I read and listened to a lot of material since February 24th, 2022. There would be many weeks over the past three years where I would spend every day over eight hours a day of focused reading and research. There were several rabbit holes that I consistently returned to and researched. But the most important line of inquiry was always peace talks, not just in this war, but in other wars in modern history. For this specific war, as part of the background prep, I would take notes on every single perspective I could find on every single major diplomatic meeting and negotiation that happened in Ukraine-Russia relations since 1991. There is a lot of material to go through. And there are a lot of perspectives, even on the very 2019 meeting that President Zelenskyy spoke about in this podcast. Just as a small but important example, Andrii Bogdan was interviewed twice by Dmytro Gordon and gave a deep inside look of the administration of President Zelenskyy, including that very 2019 meeting. The two interviews are seven and a half hours by the way. And from my interviewer perspective, are a masterclass of interviewing. Andrii Bogdan worked directly with President Zelenskyy as the head of the Office of the President of Ukraine. He was there for

the 2019 face-to-face meeting between Volodymyr Zelenskyy and Vladimir Putin at the Paris Summit, along with French President Emmanuel Macron and German Chancellor Angela Merkel. This was part of the Normandy Format Peace Talks. In those two interviews, Andrii Bogdan gave a very different perspective on that 2019 meeting than did President Zelenskyy to me in our conversation, the perspective being that the failure to negotiate a ceasefire and peace was not a simple one-sided story. I don't think this is the right time for me to dive into that data point and be critical. I'm not interested in being critical for the sake of criticism. I am interested once again in productive conversations, critical or otherwise, that push towards peace, the kind I described earlier. This is merely an example of a data point I was collecting in my brain. There are many, many others. But all of it taken together made it clear to me, and I still believe this, that it is indeed very difficult but possible to negotiate long-lasting peace with Vladimir Putin. It's certainly true that Ukraine is best positioned to negotiate from a place of strength. After the invasion of February 24th, 2022, I believe there were three chances where peace was most achievable. First chance was March and April of 2022 with a successful defense of the north. Second chance was the fall of 2022 with the successful counteroffensive in Kherson and Kharkiv. The third chance is now. As he has stated multiple times publicly, Donald Trump is very interested in making peace. It is likely that the US financial support for this war will continue to dwindle. So the leverage and the timing for peace negotiation is now. There is unlikely to be another chance like this for a long time. Just to zoom out on the conversation piece of this, I interviewed Donald Trump and may do so again. I interviewed Volodymyr Zelenskyy and may do so again. And it seems likely that I will interview Vladimir Putin in Russia in the Kremlin. I understand the risks and accept them. The risks for me are not important. I'm not important. I merely want to do my small part in pushing for peace in a moment in history when there's a real chance for that piece to actually be achieved. I may be speaking too long, I'm sorry, but I can probably speak for many more hours. So this is in fact me trying to be brief. So again, my two goals were to bring out the best in the President Zelenskyy as a leader and a human being, and to give him every opportunity possible to signal that he's ready to make peace and to lay out his vision for what that piece might look like. Like I said, step one through 10 is prepare well. I did. But step 11 is the actual conversation. They're the specific psychological and personality quirks and qualities of the guests matter a lot. My job is to try to cut through the bullshit walls we put up as human beings and reveal directly or indirectly who the person truly is and how they think. With Zelenskyy, he is a deeply empathic and emotional human who personally feels the suffering of the people of Ukraine in this war. This is a strength and perhaps also a weakness, but it is an important part of the reason why I said many times that he is a truly historic figure. Very few leaders in recent history would be able to pull off what he did, to stay in Kiev, to unite the country, to convince the west to join the war effort to the degree they did. He is also a showman. To borrow the title of the biography, I recommended a man with many layers of humor and wit, but also ego and temper, sometimes fully self-aware and sometimes losing himself in the emotional rollercoaster of a painful memory or a turn of phrase that he can use as a springboard for a angry soliloquy. Add to this, the fact that we didn't agree to anything, what we will talk about

or how long we will talk about it. The interview could have easily been five minutes or three hours. So I had to quickly gain his trust enough to open up and stay for a long-form conversation, but push him enough to reveal the complexities of his thought process and his situation. This is where humor and camaraderie was essential. And I would return to it often though it was very difficult given the stakes, the heaviness, the seriousness of the topic of the war. So in this case, the approach I followed for this conversation is constant nudges and questions about peace, often using almost childlike statements or questions. I generally like these kinds of questions. On the surface, they may seem naive, but they're not. They are often profound in their simplicity, like a lot of questions that children ask. Remember, it was a child who pointed out that the emperor was not wearing any clothes. I like the simplicity, the purity, the boldness of such questions to cut through the bullshit to the truth. And that truth is that hundreds of thousands of people died in this war and are dying every day, and all the other problems from corruption, to suspended elections, to censorship cannot be solved until peace is made. I give the president every single chance to signal willingness to negotiate, knowing that both Trump and Putin will listen to this conversation. I don't think he took it and, instead, chose to speak very crude words towards Vladimir Putin. This is fully understandable, but not directly productive to negotiation. To clarify, I have hosted many conversations that were intensely critical of Vladimir Putin from Serhii Plokhyy to Stephen Kotkin. But this conversation is with a world leader speaking about another world leader during a opportunity for peace. Crude words of disrespect while powerful may harm negotiations. Peacemaking in this situation requires compromise in order to avoid further death and suffering. And I believe it requires treating the other leader with the seriousness you expect him to treat you with. This is what I was pushing for, all that while also putting my ego aside and letting the president shine, which is necessary to accomplish both goals one and two that I mentioned previously. This is also why I wanted the president to speak about Elon and Trump to extend the olive branch for further avenues of peacemaking. This is not about politics. It is once again simply about peace. Now, all of this, my words, my attempts were taken out of context and used to attack me by some online mobs. As an example, President Zelenskyy said in a mocking tone that he thinks that Vladimir Putin is simply irritated by people who are alive in Ukraine. And I answered, quote, "If you believe this, it will be very difficult to negotiate." If you think that the president of a country is completely crazy, it is really hard to come to an agreement with him. You have to look at him as a serious person who loves his country and loves the people in this country,. And he conducts, yes, destructive military actions. The president interrupted me at this point and said, "Who are you talking about now? Who loves this country?" And I said, "Putin. Do you think he doesn't love this country?" And the President answered, "No." Again, this is not a podcast conversation with a historian or activist. And I somehow out of nowhere, just for fun, [inaudible 03:52:38] poetic about Putin's or Zelensky's or Trump's love of nation. It is a conversation with a world leader discussing the opportunity to negotiate peace when a large number of people are dying every single day. Even if the hard ball's over with hate, leadership now requires sitting at the negotiation table and compromising. This may be painful, but it is necessary. There are a few other places in the conversation where some

online mobs took my words out of context and used them to call me naive and to call for more war, saying peace is impossible with a man who they claim is the second coming of Hitler. My friends, if you make such attacks on this conversation, it is in fact you who are naive and ignorant of the facts of history and geopolitics. Peace must be made now in order for death and suffering to stop, in order for Ukraine to have a chance to flourish, and in order for the drums of a global war to stop beating, a global war that would cripple humanity. This was my goal once again to push for peace. And I will continue this effort to the best of my ability. Thank you. I love you all.